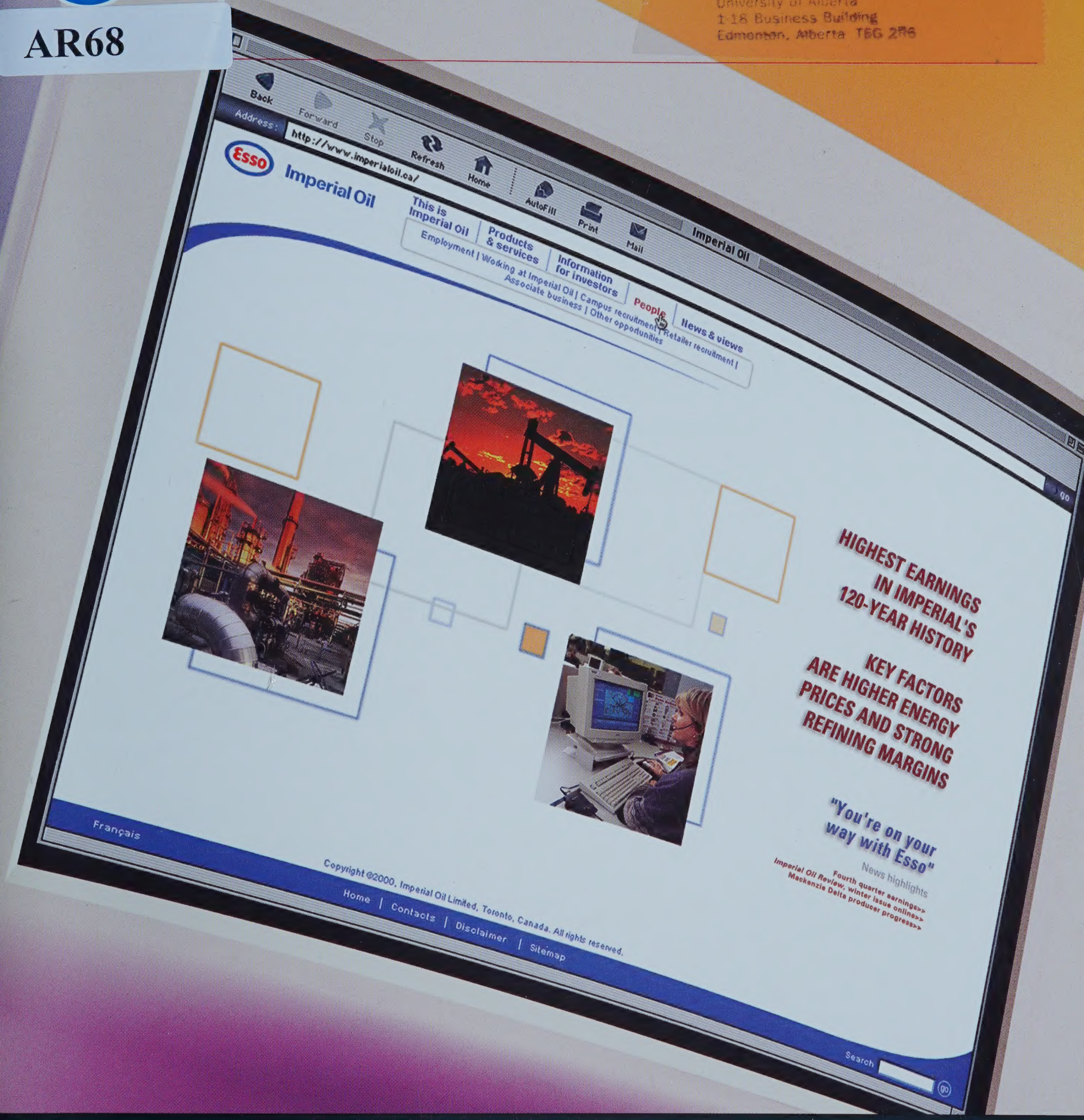
Imperial Oil



ANNUAL REPORT TO SHAREHOLDERS 2000_

IMPERIAL OIL LIMITED IS ONE OF CANADA'S LARGEST CORPORATIONS AND HAS BEEN A LEADING MEMBER OF THE COUNTRY'S PETROLEUM INDUSTRY FOR MORE THAN A CENTURY. THE COMPANY'S MISSION IS TO CREATE VALUE FOR ITS SHAREHOLDERS THROUGH THE DEVELOPMENT AND SALE OF HYDROCARBON ENERGY AND RELATED PRODUCTS.

IMPERIAL IS THE COUNTRY'S LARGEST PRODUCER OF CRUDE OIL AND A MAJOR PRODUCER OF NATURAL GAS. IT IS ALSO THE LARGEST REFINER AND MARKETER OF PETROLEUM PRODUCTS – SOLD PRIMARILY UNDER THE ESSO BRAND – WITH A COAST-TO-COAST SUPPLY NETWORK. AS WELL, THE COMPANY IS A MAJOR PRODUCER OF PETROCHEMICALS.

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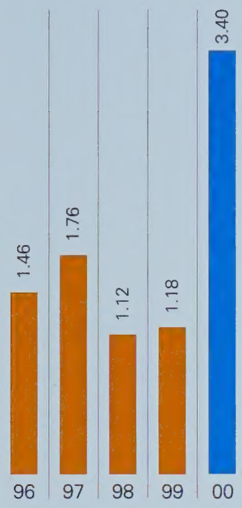
Imperial's Web site (**www.imperialoil.ca**) provides service to investors, customers and other interested parties. The Information for investors section offers a complete range of investor news, reports and presentations. The home page features regular share price updates from The Toronto Stock Exchange, as well as news highlights and easy links to a variety of other corporate information.

This report contains forward-looking information on future production, project start-ups and future capital spending. Actual results could differ materially as a result of market conditions or changes in law, government policy, operating conditions, costs, project schedules, operating performance, demand for oil and natural gas, commercial negotiations or other technical and economic factors.

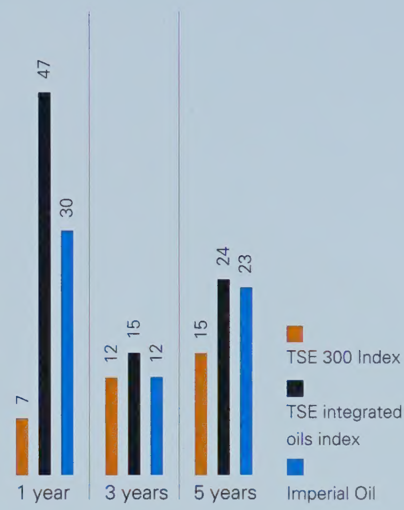


Earnings per share
dollars

Higher energy prices and strong refining margins contributed to the highest earnings in the company's 120-year history.

Return on average shareholders' equity
percent, net earnings divided by average shareholders' equity

Return on equity rose to the highest level in two decades, the fifth consecutive year of double-digit returns.



Shareholder returns
percent per year, compounded; based on original investment; assumes dividends are reinvested

Total returns to shareholders have exceeded 20 percent a year, compounded, over the past five years.

Earnings increased in all three operating segments, and all segments met the company's long-standing goal of double-digit returns on capital employed

Financial highlights (a)

	2000	1999	1998	1997	1996
Net earnings (millions of dollars)	**1 420**	510	490	815	771
Cash flow from earnings (b)	**1 844**	1 009	1 129	1 319	1 351
Capital and exploration expenditures	**679**	653	612	639	564
Return on average capital employed (percent) (c)	**27.0**	10.2	9.6	14.3	11.8
Per-share information (dollars) (d)					
Net earnings	**3.40**	1.18	1.12	1.76	1.46
Cash flow from earnings	**4.41**	2.34	2.57	2.85	2.56
Dividends	**0.78**	0.75	0.74	0.73	0.68

(a) Prior-year data have been restated to reflect reporting changes that are described in note 2 on page 36.
(b) Cash flow from earnings is defined on page 30.
(c) Net earnings and after-tax interest expense (interest expense from page 43, note 14, at statutory corporate tax rate, page 39, note 7), divided by average capital employed (page 34, note 1).
(d) Calculated by dividing the respective nominal amounts by the average number of shares outstanding, weighted monthly (page 46). The per-share information has been restated to reflect a three-for-one share split in 1998.

R.B. (Bob) Peterson
Chairman, president and chief executive officer

SIGNIFICANTLY HIGHER ENERGY PRICES, COUPLED WITH STRONG OPERATING PERFORMANCE, RESULTED IN THE HIGHEST EARNINGS IN THE COMPANY'S 120-YEAR HISTORY

I would describe 2000 as an excellent year for Imperial and its shareholders. Significantly higher energy prices, coupled with strong operating performance, resulted in the highest earnings in the company's 120-year history.

Net earnings for 2000 were $1,420 million, or $3.40 a share. Return on average capital employed was 27 percent. All three of our major business segments – natural resources, petroleum products and chemicals – met our long-standing objective of earning better than a 10-percent return. Total return to shareholders, including dividends and share price appreciation, was 30 percent. Over the last five years, total return to shareholders has averaged 23 percent a year.

Imperial's financial position continues to be strong. At year-end, the company's holdings of cash and marketable securities stood at $1,020 million. Total outstanding debt now represents about 25 percent of the company's capital structure.

Clearly, the most significant factor affecting Imperial's results in 2000 was the continued strength in crude oil and natural gas prices. Over the last two years, international crude oil prices have risen from their lowest level in more than a decade, in early 1999, to their highest level in the fall of 2000. These higher prices reflected a growing demand for oil to supply a stronger world economy, together with relatively low inventory levels of crude oil and refined petroleum products, and were generally sustained throughout the year. Natural gas prices also increased significantly throughout the year, reflecting tight North American supply for this commodity.

International wholesale prices for refined petroleum products also strengthened during the year, driven by rising crude oil prices and relatively low inventories, which led to strong refining margins. On the negative side, marketing margins on petroleum products remained depressed, as market conditions limited the company's ability to fully recover high wholesale costs. On an overall integrated basis, however, the positives more than offset the negatives over the course of the year.

By the end of the year, crude oil prices had begun to retreat in response to concerns over slowing economic growth, increasing inventory levels and a growing surplus of heavy oils, while natural gas prices remained strong in North America. The outlook for future prices remains uncertain.

Our near-term business plan assumes that competition will remain intense for the various products we produce and sell, and that the Canadian economy will grow moderately. Given the inherently volatile and uncertain nature of energy markets, the company's strategy over the past several years continues to focus on actively managing those aspects of the business we can control – our costs, our volumes, the productivity of our assets and our execution of the operational fundamentals of the business.

A consistent commitment to this strategy provides the foundation for continuous improvement in the company's financial and operating results. The goal of each business unit is to achieve a double-digit return on capital employed, and our business plans and programs continue to be guided by our four long-standing strategic priorities of flawless execution, growing profitable sales volumes, achieving a best-in-class cost structure and improving the productivity of our asset mix.

The first of our priorities is flawless execution of the day-to-day fundamentals of all aspects of our businesses, from providing customers with high-quality products and services, to ensuring safe and reliable operations and maintaining effective business controls. In these respects, 2000 was a year of generally solid operating performance. In the area of customer service, the company currently holds internationally recognized ISO 9000 registrations covering 15 parts of the business, and all were retained during 2000. Our Customer

Imperial's four priorities for 2001 – flawless execution, growth in profitable sales volumes, best-in-class cost structure and improved productivity of our asset mix

Imperial continues to be a financially sound company and a strong competitor in the Canadian petroleum industry, with solid opportunities for future growth

Service and Support Centre based in Moncton, N.B., was expanded, and the Centre's employee development and training program received a provincial government award. Imperial's Esso Avitat facilities, serving private and corporate aviation, were recognized as Canada's best in an international survey of pilots.

We saw a significant reduction in the number of hazardous incidents and, in our resources division, safety performance was the best ever, even though activity increased.

Under our second priority of growing profitable sales volumes, production of natural gas increased, partly as a result of new production from the Sable Offshore Energy Project, in which Imperial holds a nine-percent interest. Production began from the new Aurora mining site at Syncrude, although total Syncrude production for the year was lower due to operating difficulties. Construction also began on the next three phases of development at Cold Lake, with project start-up expected in late 2002. Bitumen production at Cold Lake was lower in 2000 than in 1999 due to the cyclical nature of steam-injection operations.

Sales volumes of petroleum products were essentially unchanged from 1999. In chemicals, the company's manufacturing plant in Sarnia operated at capacity throughout the year.

There is renewed interest in developing natural gas resources in Northern Canada. Over the past year, Imperial led a consortium of major holders of natural gas resources in the Mackenzie Delta region in studying the feasibility of bringing up to six trillion cubic feet of discovered gas, about half of which is held by Imperial, to southern markets in the future. The consortium has been sufficiently encouraged to commission further conceptual engineering work and to initiate the collection of baseline biophysical data in 2001.

Achieving a best-in-class cost structure in all aspects of our operations is our third business priority, and we continue to make good progress in this challenging and important area. Some business units have achieved a cost level that is

best in class in our industry. All business units are implementing plans to strengthen their competitive position. An emerging issue is the upward pressure on operating expenses from the increasing costs of energy to run plants and facilities.

Our fourth priority is to improve the productivity of our asset mix through a combination of investing selectively in high-quality opportunities, divesting non-core or underperforming operations and facilities, and continuously improving the productivity of the assets we retain. During 2000 we invested $679 million in ongoing programs and new opportunities, including expansions at Cold Lake and Syncrude and further development of the Sable project. We also continued with extensive upgrading of our retail service station and truck stop networks, and completed a major program to improve yields of higher-value products from our refineries in Central Canada. Proceeds from asset sales were $274 million in 2000.

Capital expenditures in 2001 are expected to exceed $1 billion, as we further advance major opportunities. Actual levels of investment will depend, of course, on market conditions and the economic viability of projects under consideration.

During 2000, Imperial entered into an agreement with ExxonMobil Canada (formerly Mobil Oil Canada) to share common business and support services in natural resources operations, and jointly pursue new oil and gas opportunities in Canada. We believe these arrangements will benefit both companies by allowing us to reduce costs, improve operating efficiency and broaden our portfolio of opportunities.

In summary, it has been a very good year. Imperial continues to be a financially sound company and a strong competitor in the Canadian petroleum industry, with solid opportunities for future growth. With our financial capability, our high-quality resource base and a workforce of highly capable and dedicated employees, we have demonstrated the flexibility to adapt to volatile markets and changing economic conditions, which should allow us to sustain long-term growth in shareholder value.

R B Peterson

February 20, 2001

Toronto Stock Exchange – IMO closing share price
dollars per share, adjusted for 1998 share split

DIVIDEND PAYMENTS INCREASED, AND THE COMPANY REPURCHASED 33 MILLION SHARES FOR $1.2 BILLION, ENDING THE YEAR WITH MORE THAN $1 BILLION IN CASH AND MARKETABLE SECURITIES

Net earnings were $1,420 million, or $3.40 a share, compared with $510 million or $1.18 a share in 1999 (1998 – $490 million or $1.12 a share). Prior-year earnings have been restated to reflect reporting changes described in note 2 on page 36.

The increase in earnings was due mainly to higher prices for crude oil and natural gas and improved petroleum product margins, which more than offset the effects of lower crude oil production.

Included in 2000 earnings were after-tax gains of $96 million on asset sales, up from $17 million in 1999 (1998 – gains of $47 million from asset sales and $133 million from tax refunds).

Earnings were higher in all three of the company's operating segments – natural resources, petroleum products and chemicals. Segment earnings have also been restated as outlined in note 2. A detailed discussion of segmented results begins on page 11.

Earnings from corporate and other accounts were negative $117 million in 2000, compared with negative $108 million in 1999 (1998 – negative $90 million).

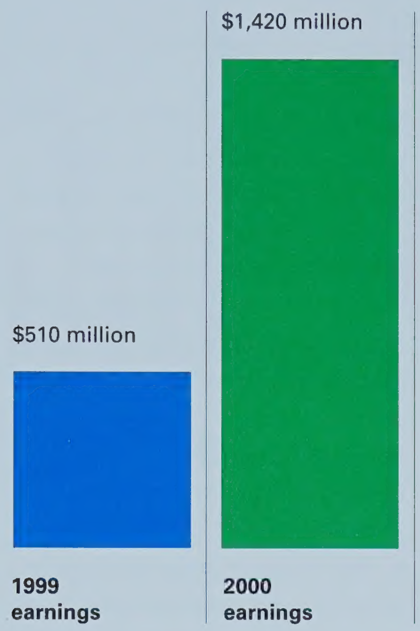
Cash flow from earnings was $1,844 million, compared with $1,009 million in 1999 (1998 – $1,129 million). Cash provided from operating activities was $2,089 million, an increase from $1,470 million in 1999 (1998 – $779 million). The increase was largely due to higher earnings.

Share buyback program renewed
In June, the company renewed its normal course issuer bid (share buyback) program for another 12 months. During 2000, Imperial repurchased more than 33 million shares for $1.2 billion. Since the first program was launched in 1995, 183 million shares have been repurchased for $4.3 billion.

In 2000, the company declared dividends totaling 78 cents a share, up four percent from 75 cents in 1999 (1998 – 74 cents).

FACTORS AFFECTING IMPERIAL'S 2000 EARNINGS

in millions of dollars (1999 restated)



Positive factors

- Higher crude oil and natural gas prices: **$664 million**
- Higher product margins: **$262 million**
- Higher natural gas volumes: **$82 million**
- Higher gains on asset sales: **$79 million**

Negative factors

- Higher royalties, lower oil production, and unfavourable sales mix: **$177 million**

The company retains a strong financial position. At the end of 2000, Imperial's balance of cash and marketable securities was $1,020 million, compared with $834 million at the end of 1999 (1998 – $599 million).

During the year, the company redeemed $45 million (U.S.) of its 8¾ percent sinking-fund debentures maturing in 2019. However, because of the impact of a lower Canadian dollar on the company's U.S.-dollar debt, total debt outstanding (including $75 million in short-term commercial paper and $292 million in long-term debt due in 2001) increased to $1,295 million at the end of 2000 from $1,239 million at the end of 1999 (1998 – $1,527 million). At the end of 2000, debt represented about 25 percent of the company's capital structure, compared with 23 percent at the end of 1999 (1998 – 31 percent).

Debt-related interest costs decreased in 2000 to $106 million from $128 million in 1999 (1998 – $129 million) because of debt retirement in the last half of 1999. The average effective interest rate on the company's debt was 7.3 percent in 2000, compared with 7.2 percent in 1998 and 1999.

Imperial's ability to meet its debt obligations remained strong in 2000. On an earnings basis, interest coverage was 22.9 times, compared with 7.6 times in 1999 (1998 – 5.6 times). On a cash flow basis, interest coverage was 29 times, compared with 13.6 times in 1999 (1998 – 11 times).

Imperial is exposed to a variety of financial, operating and market risks. Some of these risks are within the company's control; others are not. For controllable risks, the company applies specific risk management strategies

Net earnings by segment

millions of dollars	**2000**	1999	1998	1997	1996
Natural resources	**1 165**	560	249	483	657
Petroleum products	**313**	15	244	284	130
Chemicals	**59**	43	87	126	63
Corporate and other	**(117)**	(108)	(90)	(78)	(79)
Net earnings	**1 420**	510	490	815	771

to reduce the likelihood of loss. Imperial's operations integrity management framework provides a disciplined and structured approach to running all company facilities safely and reliably. The company has also continued to strengthen its comprehensive framework of business controls.

Risks that are not within the company's control include changes in international commodity prices and currency exchange rates. Imperial's potential exposure to those risks is summarized in the table below that shows how earnings may be affected by changes in various business factors. The amount quoted to illustrate the impact of each sensitivity (for example, the $3 (U.S.) a barrel change in crude oil prices) represents a change of about 10 percent in the value of the commodity or rate in question at the end of 2000.

Each sensitivity calculation shows the earnings impact of a change in one factor, after tax and royalties, holding all other factors constant. While these sensitivities are applicable under current conditions, they may not apply consistently to larger fluctuations.

Imperial does not use derivative markets to speculate on future movements of exchange rates or commodity prices and does not sell forward any part of its production of natural resources, petroleum products or chemicals. Interest and currency swaps are used within limits to manage the interest rate or currency exposure of the corporation's debt. However, there were no such contracts in place at the end of 2000.

Financial percentages and ratios

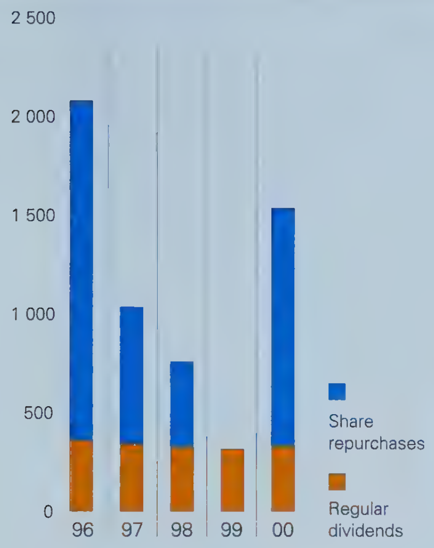
	2000	1999	1998	1997	1996
Total debt as a percentage of capital (a)	**24.6**	23.3	30.5	28.3	28.2
Interest coverage ratios					
Earnings basis (b)	**22.9**	7.6	5.6	12.0	7.0
Cash-flow basis (c)	**29.0**	13.6	11.0	17.2	13.5

(a) Current and long-term portions of debt (page 31 and page 38, note 4), foreign-exchange loss on currency swap and guarantees to third parties divided by debt, foreign-exchange loss on currency swap, guarantees to third parties and shareholders' equity (page 31).
(b) Net earnings (page 29), debt-related interest expense (page 43, note 14) and income taxes (page 29) divided by debt-related interest expense.
(c) Cash flow from earnings (page 30), current income tax expense (page 39, note 7) and debt-related interest expense divided by debt-related interest expense.

Earnings sensitivities

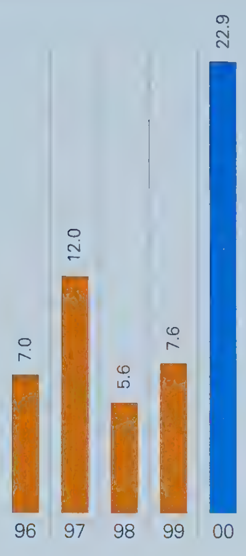
millions of dollars after tax

Three dollars (U.S.) a barrel change in crude oil prices	+(–)	$ 150
Eighty cents a thousand cubic feet change in natural gas prices	+(–)	$ 55
One cent a litre change in sales margins for total petroleum products	+(–)	$ 165
Two cents (U.S.) a pound change in sales margins for polyethylene	+(–)	$ 15
One half percent decrease (increase) in U.S. short-term interest rates	+(–)	$ 3
Seven cents decrease (increase) in the value of the Canadian dollar versus the U.S. dollar	+(–)	$ 175



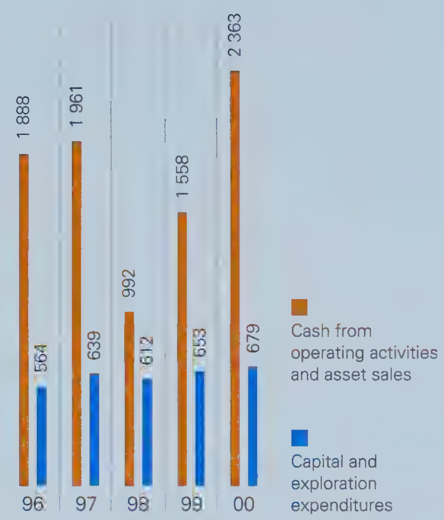
Cash payments to shareholders
millions of dollars

Total payments to shareholders rose, as dividends increased and the company renewed share repurchases.



Interest coverage ratio
earnings basis

The company's ability to meet its debt obligations strengthened further in 2000.



Cash flows before financing and before investing in short-term securities
millions of dollars

Cash generated from operations substantially exceeded expenditure requirements.

Capital expenditures increased
Capital and exploration expenditures increased to $679 million in 2000 from $653 million in 1999 (1998 – $612 million). The funds were used mainly to maintain and expand oil and gas production capacity, improve refining operations, and enhance the company's retail gasoline marketing network.

Capital and exploration expenditures are expected to exceed $1 billion in 2001. This amount will be financed from internally generated funds.

Further information on planned expenditures is contained in the reports on the three operating segments.

Expenditures in Canada on research and development were $31 million in 2000, down from $34 million in 1999 (1998 – $45 million). Those funds were directed mainly towards developing improved methods for heavy oil recovery and higher-quality lubricant products. In 2000, 12 original patents were awarded.

The number of full-time employees was 6,704 at year-end 2000, compared with 6,550 in 1999 (1998 – 6,689). Imperial continued its program of recruiting new employees from universities and community colleges across the country – an essential program that provides for renewal of the company's human resources.

The company continued to pursue a structured program for identifying employee development needs and providing appropriate training to ensure the attainment of corporate priorities.

Community support continued

The company continues to believe in supporting the communities in which it operates. The Imperial Oil Charitable Foundation contributed approximately $6.7 million in 2000 to about 425 organizations across Canada. Imperial's charitable efforts are aimed at enhancing the quality of Canadian life through support for education, community services and culture, particularly in communities where we have a significant presence, with special focus on education and youth.

During the year, the company donated $750,000 to become a founding sponsor of the City of Toronto's bid to host the 2008 Olympic Games. This is consistent with Imperial's long-standing support for amateur athletics, which recently included sponsorship of the men's world junior hockey championship in Russia and the women's national hockey championship in Summerside, P.E.I. In August 2001, Imperial will be among the sponsors of the World Championships in Athletics being held in Edmonton, Alta.

Additional information on Imperial's sponsorship and donation programs, including the volunteer involvement program for employees and annuitants, is available on the company's Web site at **www.imperialoil.ca.**

Employees

	2000	1999	1998	1997	1996
Number of full-time employees at December 31	**6 704**	6 550	6 689	7 096	7 483
Total payroll and benefits (millions of dollars) (a)	**814**	856	771	878	823

(a) Includes both the company's payroll and benefit costs and its share of the Syncrude joint-venture payroll and benefit costs. Excludes workforce-reduction costs.

HIGHER PRICES FOR CRUDE OIL AND NATURAL GAS LED TO A SUBSTANTIAL INCREASE IN RESOURCE EARNINGS

Earnings from natural resources were $1,165 million, up from $560 million in 1999 (1998 – $249 million). The main reasons for the increase were significantly higher prices for crude oil and natural gas and increased sales of natural gas, partly offset by lower oil production. Included in earnings were gains of $86 million from sale of assets, compared with gains of $4 million in 1999 (1998 – gains of $15 million).

Return on average capital employed increased to 49.8 percent from 21.8 percent in 1999 (1998 – 9.7 percent).

Resource revenues increased to $5.9 billion from $3.9 billion in 1999 (1998 – $2.4 billion), largely because of higher crude oil and natural gas prices.

World oil markets strengthened

World oil prices continued to strengthen in 2000, mainly because of growing world demand for oil and the ongoing effect of cutbacks in oil production initiated in 1999 by major producing countries. The price of Brent crude oil, the most actively traded North Sea crude and a common benchmark in world oil markets, increased from $23 (U.S.) a barrel at the beginning of 2000 to more than $35 a barrel in the fall. Its average price for the year was $28.40 a barrel, up 58 percent from $18 a barrel in 1999 (1998 – $12.75).

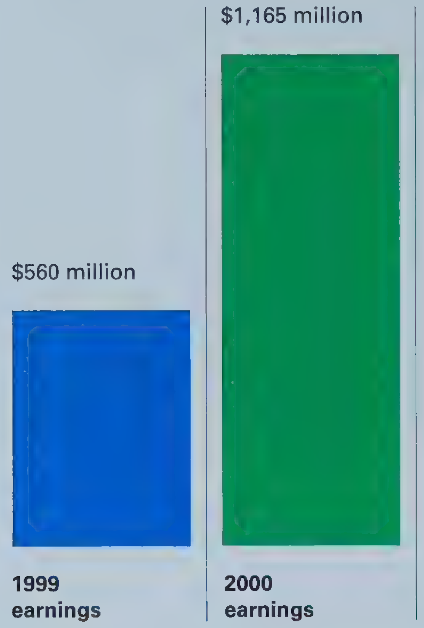
The company's realizations on sales of conventional Canadian crude oil increased in line with international markets to $41.52 (Canadian) a barrel in 2000 from $24.75 a barrel in 1999 (1998 – $17.45).

Markets for Canadian heavy crudes, including blended bitumen from Cold Lake, strengthened as well, but not as much as those for lighter crude oils. This reflected increased supplies of heavier crudes as a proportion of total global production and weakness in North American asphalt markets. The price of Bow River, a benchmark Canadian heavy oil, increased by about 47 percent, compared with the roughly 60-percent increase in prices for lighter Canadian crudes. However, market conditions for heavy oil weakened considerably during the fourth quarter of 2000, causing bitumen prices to decline.

Prices for Canadian natural gas increased significantly in 2000, in line with tighter North American market conditions. The average Alberta

FACTORS AFFECTING EARNINGS FROM NATURAL RESOURCES

in millions of dollars (1999 restated)



Positive factors

- Higher crude oil and natural gas prices: **$664 million**
- Higher natural gas volumes: **$82 million**
- Higher gains on asset sales: **$82 million**

Negative factors

- Higher royalties and lower oil production: **$171 million**
- Higher operating expenses and other charges: **$52 million**

Reference price for natural gas was $4.37 a thousand cubic feet in 2000, up from $2.48 in 1999 (1998 – $1.94).

Imperial's average realizations on natural gas sales increased to $4.99 a thousand cubic feet from $2.66 in 1999 (1998 – $2.01).

Oil production decreased

The company's gross production of crude oil and natural gas liquids decreased to 260,000 barrels a day from 284,000 barrels in 1999 (1998 – 279,000). Net production declined to 213,000 barrels a day from 237,000 barrels in 1999 (1998 – 251,000).

Net bitumen production at the company's wholly owned facilities at Cold Lake was 102,000 barrels a day, down from 107,000 barrels in 1999 (1998 – 126,000). The reason for the decline was the timing of steaming cycles.

The effective royalty rate at Cold Lake decreased in 2000 because of higher capital expenditures. The rate declined to 14 percent in 2000 from 18 percent in 1999 (1998 – eight percent).

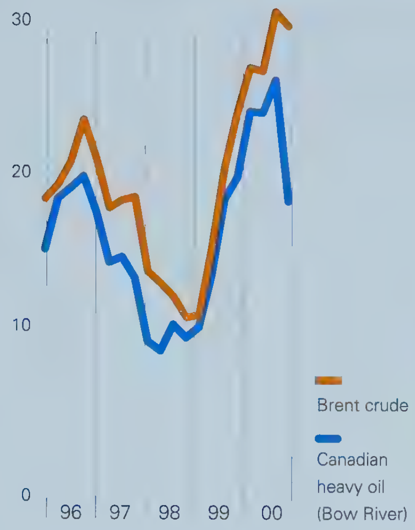
Late in the year, Imperial entered into an agreement with the Province of Alberta for the transition of all royalty provisions for current and future developments at Cold Lake to the generic Alberta regulation that applies to all other oil sands development in the province. This transition is expected to be royalty-neutral and will streamline administration.

At Syncrude, where the company holds a 25-percent interest, gross production of upgraded crude oil decreased to 203,000 barrels a day from 223,000 barrels in 1999 (1998 – 210,000) because of operating difficulties and extended maintenance to heavy oil upgrading equipment. Imperial's share of average net production declined even more – to 42,000 barrels a day from 55,000 barrels in 1999 (1998 – 52,000) – partly as a result of a higher effective royalty rate.

Net production of conventional oil declined to 46,000 barrels a day from 51,000 barrels in 1999 (1998 – 57,000), mainly because of natural reservoir decline.

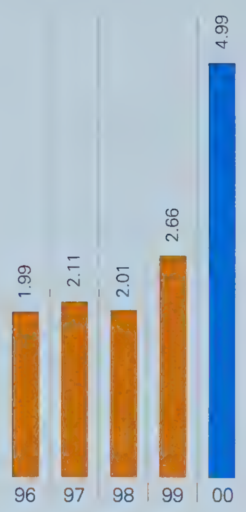
Natural resources – return on average capital employed
percent

Higher prices for crude oil and natural gas resulted in much higher returns in natural resources.



Crude oil prices
U.S. dollars a barrel

Although average prices for both light and heavy oil were higher than the previous year, heavy oil prices declined toward year-end.



Natural gas average realizations
dollars a thousand cubic feet

Natural gas prices increased significantly in response to tighter North American market conditions.

Natural gas production increased

Net production of natural gas increased to 459 million cubic feet a day in 2000 from 413 million in 1999 (1998 – 379 million). This included the first full year of gas production from the Sable Offshore Energy Project, which began deliveries at the end of 1999. It also included production from gas caps overlaying former oil fields at Bonnie Glen and Golden Spike, both in Alberta. Those increases were partly offset by a higher effective royalty rate.

As a result of the higher production, net production available for sale increased to 277 million cubic feet a day from 244 million in 1999 (1998 – 227 million).

Total operating expenses increased in 2000, as higher costs, especially for electricity and purchased natural gas at Cold Lake, offset efficiency improvements in the rest of the operation.

In November, Imperial and ExxonMobil Canada announced that they had agreed to share common business and operational support services, and jointly pursue new oil and gas opportunities across Canada.

The agreement will allow the companies to consolidate duplicate work and systems, capitalize on economies of scale and share best practices without changing ownership or operation of either company's current assets. As a result of these efficiencies, the companies expect to realize combined annual savings of about $40 million that they could not have achieved on their own.

The two companies will also jointly pursue opportunities in areas of mutual interest. ExxonMobil Canada will operate any resulting developments in Eastern Canada, while Imperial will operate any resulting developments in Northern Canada.

Total proceeds from divestments and property sales in natural resources were $234 million, compared with $4 million in 1999 (1998 – $79 million). This included the sale of the company's 50-percent interest in Federated Pipe Lines Ltd., as well as the Cynthia pipeline, for an after-tax gain of $60 million. The company also sold interests in 19 properties in 2000, including its share of the Mitsue field and a number of small oil-producing properties in the Pembina area of Alberta, which resulted in an after-tax gain of $25 million.

Capital and exploration expenditures were $434 million in 2000, compared with $430 million in 1999 (1998 – $398 million). Significant items in 2000 included the start of construction on three new phases at Cold Lake, further expansion at Syncrude, East Coast exploration, productivity maintenance at existing Cold Lake phases, and development drilling for conventional oil and gas.

Cold Lake 11 to 13 under way

At Cold Lake, construction began on phases 11 to 13 of the development. Total capital investment for the development will be about $650 million, with project start-up expected in late 2002. When complete, the new phases are expected to provide, on average, an additional 30,000 barrels a day of bitumen production. To improve overall energy efficiency, the project will include a 170-megawatt cogeneration facility that will provide steam for the new phases and generate enough electricity to supply all the company's other Cold Lake operations. Excess capacity will be available to the Alberta power grid.

Total expenditures at Cold Lake in 2000 were $148 million, which included about $50 million for productivity maintenance in the existing 10 phases. This compares with $80 million in 1999 (1998 – $62 million). A total of 112 development wells were drilled in 2000 from eight new production pads.

The company's capital spending in Alberta's Athabasca oil sands region in 2000 was $140 million, almost all of which was for Imperial's share of Syncrude's investment program. That compared with investments of $185 million in 1999 (1998 – $110 million).

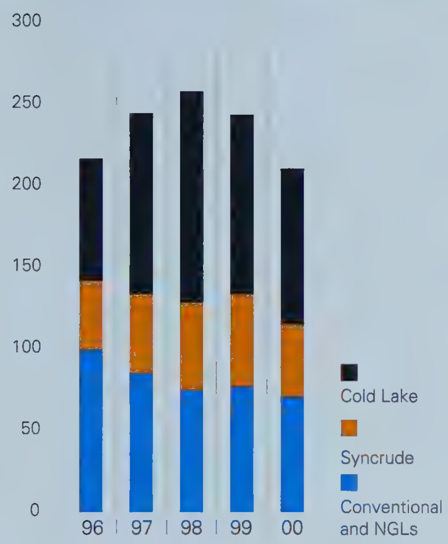
Syncrude's Aurora project started

The year 2000 saw the start-up of the first phase of Syncrude's Aurora project, which uses new technologies to move oil sand mixtures over long distances and to reduce the amount of energy required to separate the bitumen from the sand. The Aurora project uses hydro-transport technology to ship a mixture of oil, sand and water by pipeline about 35 km from the deposits to the central processing plant, demonstrating that oil sand extraction can be carried out economically over a much wider geographic area. The low-temperature extraction technology uses about 40 percent less energy than traditional recovery methods.

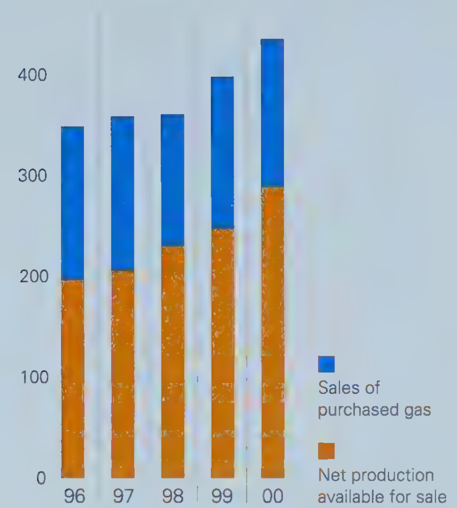
Spending on development drilling in Western Canada was about $46 million, compared with $23 million in 1999 (1998 – $33 million). The major focus was on natural gas opportunities.

Financial statistics

millions of dollars	**2000**	1999	1998	1997	1996
Net earnings	**1 165**	560	249	483	657
Revenues	**5 900**	3 904	2 392	3 583	3 303
Capital and exploration expenditures					
Exploration	**56**	29	51	55	73
Production	**110**	138	185	139	109
Heavy oil	**268**	263	162	239	170
Total capital and exploration expenditures	**434**	430	398	433	352
Capital employed at December 31	**2 168**	2 510	2 618	2 494	3 257
Return on average capital employed (percent)	**49.8**	21.8	9.7	16.8	19.3



Crude oil and NGLs – net production by source
thousands of barrels a day



Natural gas sales
millions of cubic feet a day

Oil production declined as a result of steaming cycles at Cold Lake, maintenance at Syncrude and natural reservoir decline in conventional operations.

Natural gas production increased, with new deliveries from the Sable project and gas caps in Western Canada.

Crude oil and NGLs – production and sales (a)

thousands of barrels a day	**2000**		1999		1998		1997		1996	
	gross	**net**	gross	net	gross	net	gross	net	gross	net
Conventional crude oil	**60**	**46**	65	51	70	57	82	64	95	75
Cold Lake	**119**	**102**	132	107	137	126	114	108	85	73
Syncrude	**51**	**42**	56	55	52	52	52	47	50	41
Total crude oil production	**230**	**190**	253	213	259	235	248	219	230	189
NGLs available for sale	**30**	**23**	31	24	20	16	22	19	26	22
Total crude oil and NGL production	**260**	**213**	284	237	279	251	270	238	256	211
Cold Lake sales, including diluent (b)	**156**		173		185		153		115	
NGL sales	**42**		43		36		39		34	

Natural gas – production and sales (a)

millions of cubic feet a day	**2000**		1999		1998		1997		1996	
	gross	**net**	gross	net	gross	net	gross	net	gross	net
Production (c)	**526**	**459**	469	413	439	379	454	379	474	388
Production available for sale (d)	**345**	**277**	300	244	287	227	278	203	280	194
Sales	**419**		393		356		354		344	

(a) Daily volumes are calculated by dividing total volumes for the year by the number of days in the year. Gross production is the company's share of production (excluding purchases) before deducting the shares of mineral owners or governments or both. Net production excludes those shares.
(b) Includes natural gas condensate added to the Cold Lake bitumen to facilitate transportation to market by pipeline.
(c) Production of natural gas includes amounts used for internal consumption with the exception of amounts reinjected.
(d) Production available for sale excludes amounts used for internal consumption and amounts reinjected.

Exploration expenditures were $56 million, compared with $29 million in 1999 (1998 – $51 million). Imperial's exploration strategy in Western Canada is to search for hydrocarbons on its existing acreage, and especially near established facilities. Higher-risk acreage is evaluated through farm-outs with other companies. During 2000, the company drilled four net exploratory wells. Discoveries and extensions added one million barrels of net proved reserves of crude oil and natural gas liquids (NGLs) and 27 billion cubic feet of net proved gas reserves.

Off the East Coast, the company holds a 20-percent interest, acquired in 1999, in exploration acreage in the vicinity of the Sable project. One exploratory well was completed on this acreage during the year, without commercial success. Imperial also holds a 100-percent interest in deep-water leases off Nova Scotia that were acquired in 1999. A 3-D seismic evaluation program was begun on the deep-water acreage in 2000, and will be completed in 2001.

Planned capital and exploration expenditures for 2001 are about $800 million. The program includes major expansions at Cold Lake and Syncrude, a second tier of development at the Sable project, and further development drilling in Western Canada.

Planned expenditures for exploration and development drilling, as well as capacity additions to conventional oil and gas operations, are expected to be about $140 million.

At Syncrude, planning continues on another major expansion of upgrading capacity to convert bitumen into light crude oil. This project, when combined with further development of the Aurora deposits, is expected to increase Syncrude's production capacity to more than 350,000 barrels of upgraded crude oil a day.

Cold Lake expansion announced

In early 2001, the company announced plans to apply for regulatory approval of another expansion of its operations at Cold Lake. The expansion would include three more production phases (phases 14 to 16), adding 30,000 barrels a day, and the extension of existing phases 9 and 10. Assuming timely regulatory approval and favourable market conditions, production could begin as early as 2005. Total cost of the new developments would be about $1 billion. The expansion, along with phases 11 to 13 currently under construction, would bring total production to about 180,000 barrels a day by the end of the decade.

In 2000, Imperial led a study with three other companies to evaluate the feasibility of developing already discovered resources of natural gas in the Mackenzie Delta region of Canada's western Arctic for delivery to southern markets. Imperial is the largest holder of onshore natural gas in this region. Its Taglu gas field, discovered in 1971, contains an estimated three trillion cubic feet of natural gas.

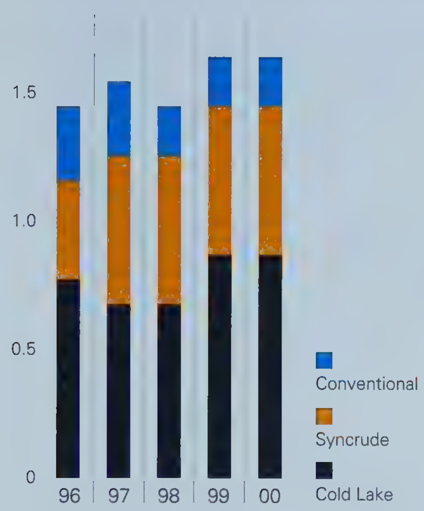
Significant progress on Mackenzie Delta gas

Significant progress was made on numerous fronts in 2000. In particular, discussions were held with a wide range of interested parties, including the Aboriginal Pipeline Group, which represents more than 30 aboriginal leaders from the Northwest Territories. As a result, the producers group expects to be in a position to begin work on an application for regulatory approval by the end of 2001. Commercial development of Mackenzie Delta gas is a long-term, capital intensive opportunity that remains subject to many still-to-be-resolved factors.

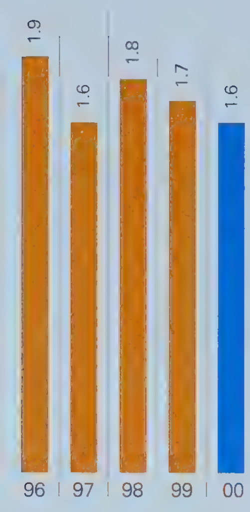
Net proved reserves of crude oil and NGLs decreased by 23 million barrels in 2000. Reserve additions, including 48 million barrels associated with a 10-year extension of Syncrude's operating license, did not offset production and divestments. Net proved reserves were 1,657 million barrels at the end of 2000, compared with 1,680 million at the end of 1999 (1998 – 1,499 million).

Net proved reserves of natural gas decreased to 1,572 billion cubic feet from 1,692 billion at the end of 1999 (1998 – 1,752 billion). Reserve additions from extensions and discoveries were not sufficient to offset production.

At the end of 2000, the company's total net proved reserves on an oil equivalent basis were 1.9 billion barrels.



Crude oil and NGLs – net proved reserves
billions of barrels



Natural gas – net proved reserves
trillions of cubic feet

Proved oil reserves declined slightly, as production and asset sales exceeded reserve additions at Syncrude.

Proved reserves of natural gas declined, as additions did not offset increased production.

Proved reserves of crude oil and natural gas (a)

	Crude oil and NGLs millions of barrels								Natural gas billions of cubic feet	
	Conventional		Cold Lake		Syncrude		Total			
Year ended	gross	net	gross	net	gross	net	gross	net	gross	net
1996	400	331	867	752	492	443	1 759	1 526	2 186	1 872
1997	308	259	827	713	685	616	1 820	1 588	1 869	1 612
1998	280	235	776	667	665	597	1 721	1 499	2 045	1 752
1999	267	225	1 016	878	645	577	1 928	1 680	1 964	1 692
2000	**233**	**196**	**972**	**851**	**679**	**610**	**1 884**	**1 657**	**1 852**	**1 572**

(a) Gross reserves are the company's share of reserves before deducting the shares of mineral owners or governments or both. Net reserves exclude these shares.

Average realizations and prices

dollars	**2000**	1999	1998	1997	1996
Conventional crude oil realizations (a barrel)	**41.52**	24.75	17.45	25.03	26.71
Natural gas realizations (a thousand cubic feet)	**4.99**	2.66	2.01	2.11	1.99
Par crude oil price at Edmonton (a barrel)	**44.95**	27.80	20.37	27.90	29.40
Heavy crude oil price at Hardisty (Bow River, a barrel)	**34.49**	23.51	14.67	21.13	25.08

The company continued to expand its customer service centre in Moncton, N.B.

SIGNIFICANTLY BETTER INDUSTRY REFINING MARGINS MORE THAN OFFSET DEPRESSED MARKETING MARGINS

Net earnings from petroleum products were $313 million or 1.1 cents a litre in 2000, an increase from $15 million or 0.05 cents a litre in 1999 (1998 – $244 million or 0.9 cents a litre). Significantly improved industry refining margins were the main reason for the increase. Return on capital employed was 14 percent, compared with 0.6 percent in 1999 (1998 – 10.1 percent).

Asset sales contributed $6 million to earnings in 2000, compared with $12 million in 1999 (1998 – $7 million).

Revenues were $15.1 billion, an increase of 42 percent from $10.7 billion the previous year (1998 – $9.8 billion), largely as a result of higher prices for refined products.

The company's total sales volumes, including supply agreements with other companies, were 80.3 million litres a day in 2000, compared with 80 million litres in 1999 (1998 – 78.2 million). Excluding supply agreements, sales were 69.6 million litres a day, compared with 69.2 million litres in 1999 (1998 – 68.6 million).

Total Canadian demand for petroleum products increased to 259.5 million litres a day in 2000 from 255.7 million litres the previous year (1998 – 252.6 million). Imperial continued to supply about 25 percent of that total, retaining its position as the largest refiner and marketer of petroleum products in the country.

Total company sales of gasoline were 32 million litres a day, essentially unchanged from the previous two years. Gasoline sales through Esso service stations declined by about six percent, as price-sensitive consumers shifted purchases to discount outlets. Those reductions were offset by increased sales to wholesale customers.

FACTORS AFFECTING EARNINGS FROM PETROLEUM PRODUCTS

in millions of dollars (1999 restated)

Positive factors
- Higher product margins: **$273 million**
- Lower operating expenses and other charges: **$34 million**

Negative factors
- Unfavourable sales mix: **$9 million**

Sales of distillate products – which include heating oil, diesel fuel and jet fuel – increased by about two percent to 27.5 million litres a day from 26.9 million litres in 1999 (1998 – 25.4 million).

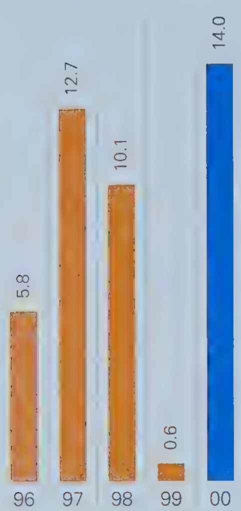
The principal factors behind the increase in distillate product sales were strong demand from the Canadian trucking industry and from resource industries in Western Canada, higher sales of heating oil due to colder weather in 2000, and a combination of demand growth and increased market share for jet fuel.

Imperial maintained its level of asphalt sales in 2000, while increasing its market share as overall industry demand declined. Volumes of heavy fuel oil increased as a result of higher refinery throughput. Lubricant sales were unchanged.

Refinery utilization increased
Refinery utilization increased to 91 percent from 89 percent in 1999, mainly because of lower planned refinery maintenance (1998 – 91 percent).

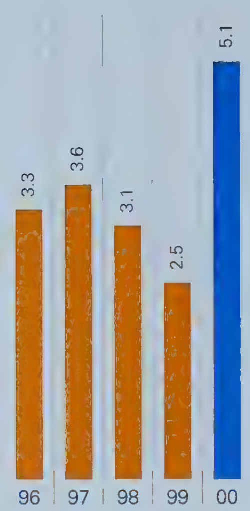
Imperial introduced 78 new products in 2000, including new 5W20 and 5W30 motor oils that provide enhanced fuel economy. The new oils meet next-generation performance expectations recently set by car manufacturers. Imperial also completed construction of facilities at the Sarnia refinery that enable it to produce the improved basic lubricant stocks required by these new formulations, making it one of only two manufacturers in Canada with this capability.

Industry refining margins increased substantially in 2000, as international wholesale product prices increased even more than raw-material costs. The main reason for the margin improvement was low inventory levels. Marketing margins declined, however, as competitive



Petroleum products – return on average capital employed
percent

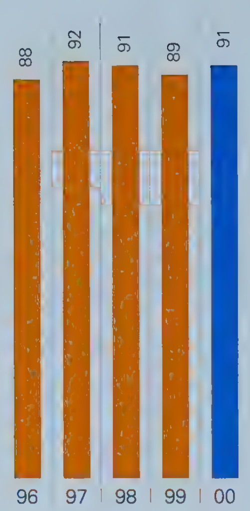
Returns from petroleum products improved to double digits from the depressed levels of the previous year.



Average refining margins*
Canadian cents a litre

Industry refining margins strengthened considerably as a result of low inventories.

* New York Harbor product prices minus Brent crude; reflects Imperial's product mix



Utilization of total refinery capacity
percent

Refinery utilization increased following extensive planned refinery maintenance in 1999.

market conditions and contract terms limited the company's ability to fully recover increases in wholesale costs.

Total operating costs were slightly lower in 2000. Lower costs for scheduled refinery maintenance and general efficiency improvements more than offset increased energy costs for fuel and electricity.

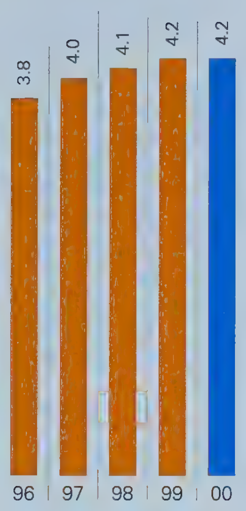
Customer service centre expanded
The company continued to expand its customer service centre in Moncton, N.B., consolidating a number of support functions there. By year-end, the workforce at the centre had grown to more than 300 from about 130 at the end of 1999. The service centre has received several awards from the Province of New Brunswick for employment practices, including an award for improving opportunities for persons with disabilities to participate fully in the workforce, and another for innovative approaches to career development.

The company also won numerous awards for product and service excellence in 2000, including recognition for zero defects, competitive offer and product and delivery excellence from the Ford, DaimlerChrysler and Toyota motor companies. Four of the company's Avitat sales agencies, which provide products and services to private and corporate aircraft at locations across the country, were ranked among the top five agencies of their type in Canada by *Professional Pilot* magazine. And the company's Esso retail stations won two of four prizes at the Canadian Retail Petroleum Awards for quality of facilities and service offerings.

All 10 of the ISO 9000 ratings in the petroleum products business were maintained during the year.

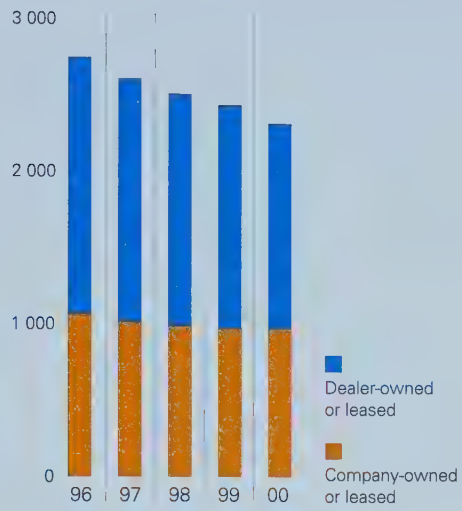
During 2000, Imperial enhanced its "Win and Earn" retail customer loyalty program by adding new redemption options, including participation by other major Canadian retailers.

Customers can now review their point total and redeem points either directly at the service station or online at the Web sites **essoextra.com** or **imperialoil.ca.**



Service station throughput – company-owned and leased stations
millions of litres per site

The productivity of company-owned service stations was unchanged, following eight consecutive years of increases.



Esso service stations
average number

The company continued to close or debrand less productive stations, while investing $93 million in new and expanded offerings.

The company also introduced a new credit card, co-branded with Royal Bank *Visa*, replacing the Esso private label card. The new card allows customers to accelerate the rate at which points are earned.

Average throughput of company-owned service stations was 4.2 million litres a station, unchanged from the previous year (1998 – 4.1 million). This followed eight consecutive years of productivity increases.

Capital expenditures were $232 million in 2000, compared with $203 million in 1999 (1998 – $197 million).

Expenditures to strengthen the Esso service station network totaled $93 million. As part of the program, the company opened 17 large-format convenience stores, extending a concept that had been successfully tested in Calgary in 1999.

In 2000, the company continued construction on facilities to upgrade the rural agency marketing network by replacing small bulk plants with fewer, more efficient distribution terminals. Thus far, eight new terminals have been built, and 116 smaller bulk plants and other facilities either have been or will be closed.

Sulphur-reduction projects started

Imperial plans to meet new regulations related to the sulphur content of gasoline. In 2000, the company began the development phase of projects to meet mandated sulphur-content targets, including the selection of technology and the design of facilities. Total costs of these projects are expected to be about $500 million.

Other major capital projects included modifications to the Nanticoke catalytic cracker to improve product yields and facilities for increased hydrogen recovery at Sarnia. These projects are part of the company's ongoing strategy to improve refining performance and profitability in Central Canada.

During the year, Imperial also reached agreement with another refiner that will increase operating efficiency and reduce capital expenditures in Atlantic Canada by restructuring terminal operations.

Total capital expenditures in petroleum products are estimated to be $250 million during 2001. Major items include the continued upgrading of the company's marketing network, and the start of construction on facilities to reduce sulphur in gasoline. Plans also include development of cogeneration facilities at Sarnia to provide both electricity and steam more efficiently.

Financial statistics

millions of dollars	**2000**	1999	1998	1997	1996
Net earnings	**313**	15	244	284	130
Revenues	**15 122**	10 664	9 748	11 689	11 450
Capital expenditures					
Marketing	**121**	80	102	71	105
Refining and supply	**100**	114	78	96	65
Other	**11**	9	17	14	22
Total capital expenditures	**232**	203	197	181	192
Capital employed at December 31	**2 261**	2 201	2 440	2 378	2 104
Return on average capital employed (percent)	**14.0**	0.6	10.1	12.7	5.8

Sales of petroleum products

millions of litres a day (a)	**2000**	1999	1998	1997	1996
Gasolines	**32.0**	31.9	31.8	31.2	31.5
Heating, diesel and jet fuels	**27.5**	26.9	25.4	26.2	25.5
Heavy fuel oils	**5.1**	4.6	6.2	5.1	5.7
Lube oils and other products	**5.0**	5.8	5.2	5.0	4.1
Net petroleum products sales	**69.6**	69.2	68.6	67.5	66.8
Sales under purchase and sale agreements	**10.7**	10.8	9.6	9.9	11.1
Total sales of petroleum products	**80.3**	80.0	78.2	77.4	77.9
Total domestic sales of petroleum products (percent)	**94.0**	95.6	96.0	95.1	94.7

Refinery utilization

millions of litres a day (a)	**2000**	1999	1998	1997	1996
Total refinery throughput (b)	**71.6**	70.1	70.7	71.3	68.9
Refinery capacity at December 31	**78.7**	78.7	77.8	77.8	77.8
Utilization of total refinery capacity (percent)	**91**	89	91	92	88

(a) Volumes a day are calculated by dividing total volumes for the year by the number of days in the year.

(b) Crude oil and feedstocks sent directly to atmospheric distillation units.

One thousand litres is approximately 6.3 barrels.

The company's chemical products are used in a wide range of commercial and household goods.

EARNINGS INCREASED BECAUSE OF EXPENSE REDUCTIONS

Earnings from the chemical business were $59 million, up from $43 million in 1999 (1998 – $87 million). The main reason for the increase was expense reductions.

Return on average capital employed was 53.4 percent, compared with 48.9 percent in 1999 (1998 – 65.7 percent).

Total revenues from chemical operations increased to $1,173 million from $872 million in 1999 (1998 – $972 million). The principal factor behind this increase was higher selling prices for most chemical products, driven by higher feedstock costs.

The average industry polyethylene price was $1,368 a tonne in 2000, up nine percent from $1,251 a tonne in 1999 (1998 – $1,121). Selling prices for the company's other chemical products were also higher.

However, industry margins were lower as feedstock costs increased more than product prices. Polyethylene margins strengthened early in the year, but declined in the second half as growth in demand moderated and feedstock costs increased.

Sales of chemicals increased to 3,100 tonnes a day from 3,000 tonnes in 1999 (1998 – 3,500), largely because of increased resale volumes of polyethylene and increased benzene sales.

The chemical business maintained all five of its ISO 9000 registrations during the year.

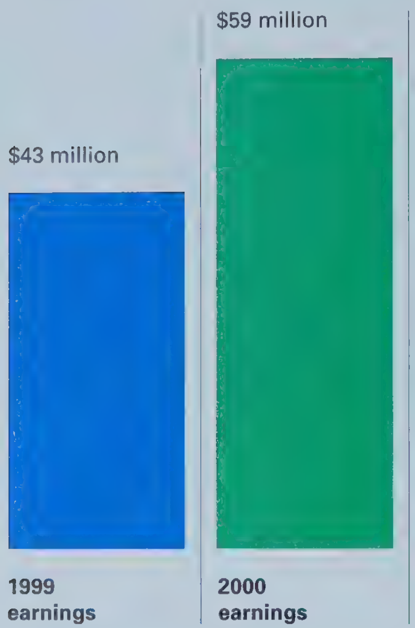
Operating costs decreased by 13 percent in 2000, as lower project-related expenses and business efficiencies more than offset higher electricity and fuel costs. The company's polyethylene business remains one of the most cost-competitive in North America.

Financial statistics

millions of dollars	**2000**	1999	1998	1997	1996
Net earnings	**59**	43	87	126	63
Revenues	**1 173**	872	972	1 166	997
Capital expenditures	**13**	20	17	25	20
Capital employed at December 31	**140**	81	95	170	200
Return on average capital employed (percent)	**53.4**	48.9	65.7	68.1	35.7

FACTORS AFFECTING EARNINGS FROM CHEMICALS

in millions of dollars (1999 restated)



Positive factors

- Lower operating expenses and other charges: **$25 million**
- Higher volumes: **$2 million**

Negative factors

- Lower product margins: **$11 million**

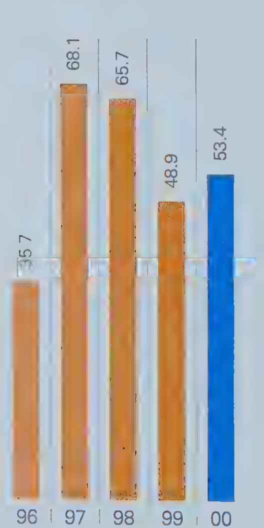
Capital expenditures in 2000 were $13 million, down from $20 million in 1999 (1998 – $17 million). This included expenditures for a number of smaller business improvement projects and initial expenditures for the fifth polyethylene expansion project. The latest expansion is expected to begin production in late 2001, increasing capacity by 15 percent.

Planned expenditures in 2001 are about $25 million. This includes funds for completing the polyethylene expansion and increasing production capacity for cyclopentane, which provides an environmentally friendly alternative to ozone-depleting chemicals that are currently used in the manufacture of certain types of insulation.

Sales volumes

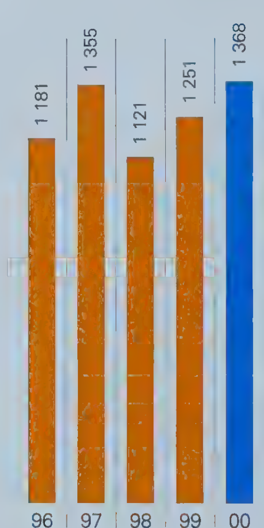
thousands of tonnes a day	**2000**	1999	1998	1997	1996
Polymers & basic chemicals	**2.2**	2.0	2.4	2.2	2.1
Intermediates, Paramins and other	**0.9**	1.0	1.1	1.2	1.1
Total chemicals	**3.1**	3.0	3.5	3.4	3.2

One tonne is approximately 1.1 short tons or 0.98 long tons.



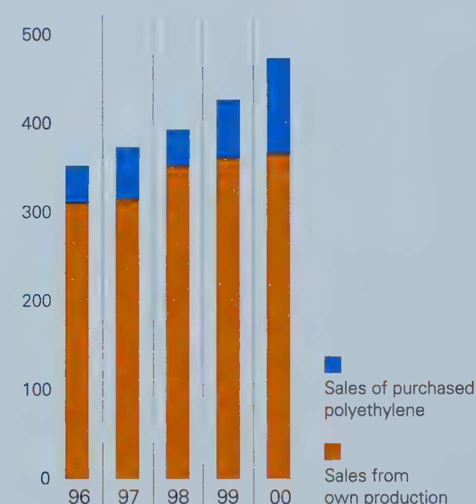
Chemicals – return on average capital employed
percent

Higher earnings resulted in increased returns from chemicals.



Polyethylene – average industry prices
Canadian dollars a tonne

Although polyethylene prices increased, margins were lower because of higher raw-material costs.



Polyethylene sales volumes
thousands of tonnes

Sales of polyethylene increased, largely because of higher resales.

IMPERIAL'S COMMITMENT TO SAFETY AND ENVIRONMENTAL PERFORMANCE REMAINS A PRIORITY

Imperial's commitment to safeguarding the environment and the health and safety of employees, contractors and the public remains a priority.

In 2000, the company invested $47 million in environmental and safety-related projects.

The company's operations integrity management system (OIMS) provides a disciplined approach to operating facilities safely and reliably, and conforms with the ISO 14001 international standard for environmental management systems. Further information on OIMS can be found on the company's Web site.

Imperial has adopted new safety reporting guidelines based on U.S. Bureau of Labor Statistics standards. The key change is that the company now reports work-related illnesses as well as injuries. On this new basis, the frequency of safety-related incidents involving employees and contractors was essentially unchanged from 1999. However, the frequency of lost-time incidents involving contractors declined by two-thirds and was the lowest on record. Imperial's overall safety performance remains among the best in Canadian industry.

Safety milestones achieved

Among significant safety milestones, Imperial's customer service and distribution department had no reportable incidents for its 700 employees during 2000. Cold Lake well-servicing operations have gone six years without a lost-time incident, while the Strathcona refinery project contractor group has gone 14 years. The company also received a number of awards for safety and industrial hygiene, including six Canadian National safe-handling awards in recognition of its rail-car shipping operations during 1999.

In 2000, the company's occupational health programs continued to focus on employees who might be exposed to potential health hazards. Occupational health management helps to determine priority workplace risks and to target health assessment programs where they are the most beneficial.

The number of potentially hazardous incidents such as spills and fires at company operations was reduced to nine in 2000 from 12 in 1999.

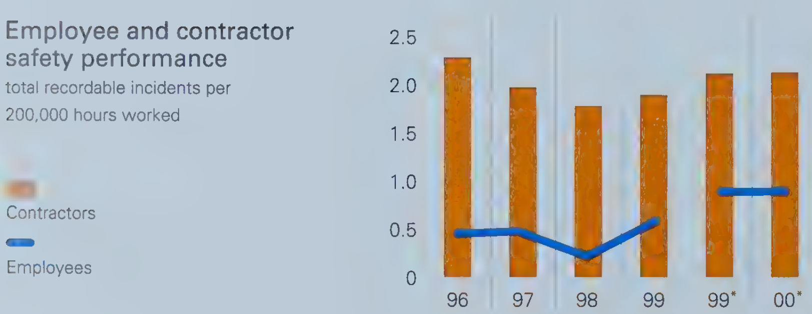
The number of environmental compliance incidents in which substance releases temporarily exceeded government guidelines was unchanged in 2000 from 1999. All operating facilities continued to test their ability to respond to incidents by simulating emergencies both on their own and with other response organizations.

Under the federal government's National Pollutant Release Inventory (NPRI) program, Imperial reports annually on ongoing emissions from its operations and other releases to the air, land and water. For reports covering 1999 activities, the number of substances required to be reported on was increased from 36 to 41. As a result, Imperial's total emissions for 1999 increased by about eight percent. For those substances reported on in 1998 and prior years, 1999 emissions were down by about 17 percent.

Imperial provides regular information on safety, health and environmental performance to communities surrounding its major operating facilities. In 2000, reports were produced covering all four of the company's manufacturing sites as well as bitumen-producing operations at Cold Lake. A summary report is available on the company's Web site.

Work continued on the cost-effective clean-up of facilities such as decommissioned oil and gas wells, distribution plants, service stations and refineries. The company applies

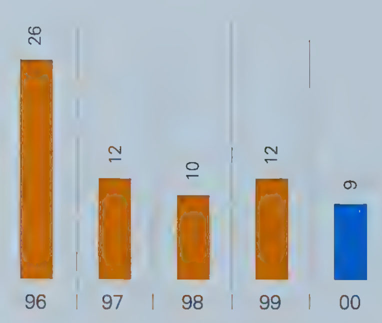
Employee and contractor safety performance
total recordable incidents per 200,000 hours worked



In 1999 Imperial adopted safety reporting guidelines that included work-related illnesses as well as injuries. For this reason, data for 1999 are shown on both bases. Under the new reporting guidelines, total recordable incidents in 2000 were essentially unchanged from 1999 for both employees and contractors. However, the frequency of more serious, lost-time incidents involving contractors declined by two-thirds and was the lowest on record.

* revised reporting basis; prior year data not available

Operating incidents
costing more than $75,000



The number of potentially hazardous operating incidents, such as spills and fires, was reduced by one-quarter at company operating facilities.

a range of technologies to site remediation work in order to better meet environmental goals and reduce costs.

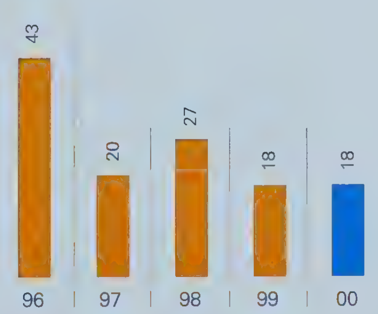
Imperial continues to look for cost-effective ways to conserve energy and improve the energy efficiency of its facilities, thereby improving competitiveness while reducing emissions of carbon dioxide (CO_2) and other greenhouse gases. Reducing the amount of "solution" gas produced from oil wells that is flared, or burned off, is a significant conservation measure. A report by the Alberta Energy and Utilities Board, based on 1999 performance, rated Imperial's solution gas conservation rate of 99.5 percent one of the best among 300 companies in the province.

In 2000, Imperial reduced the overall amount of solution gas flared and vented at its operations by an additional 40 percent from 1999 levels, to 3.5 million cubic feet per day from 5.9 million cubic feet.

In its 2000 submission to the Climate Change Voluntary Challenge and Registry (VCR) program, Imperial reported that its CO_2 emissions in 1999 had increased by about five percent from 1990 levels, principally because of increased energy consumption for steam generation at Cold Lake. Imperial's VCR reports can be found on the company's Web site.

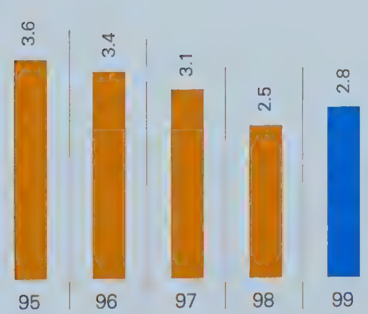
In keeping with its commitment to environmental responsibility, Imperial works actively, both on its own and through industry associations, to help governments find practical, cost-effective and risk-based solutions to Canadian air-quality concerns related to its products, facilities and operations. In 2000, in support of an Ontario initiative, Imperial began using a special summer gasoline additive that reduces vehicle emissions of nitrogen oxides, which contribute to smog formation.

Environmental compliance notifications
number of notifications



The number of operating incidents in which substance releases temporarily exceeded government guidelines was unchanged from 1999.

NPRI emissions and transfers
thousands of tonnes



The number of substances required to be reported on was increased from 36 for 1998 operations to 41 for 1999 operations, the year covered by Imperial's most recent NPRI report. As a result, emissions from company operations increased by eight percent. However, for those substances reported on in prior years, 1999 emissions were down by about 17 percent compared to 1998.

MANAGEMENT REPORT_

The accompanying consolidated financial statements and all information in this annual report are the responsibility of management. The financial statements have been prepared in accordance with generally accepted Canadian accounting principles and include certain estimates that reflect management's best judgments. Financial information contained throughout this annual report is consistent with these financial statements.

Management has established and maintains a system of internal controls that provides reasonable assurance that all transactions are accurately recorded, that the financial statements realistically report the company's operating and financial results, and that the company's assets are safeguarded. The company's internal audit unit reviews and evaluates the adequacy of and compliance with the company's internal control standards. It is also the company's policy to maintain the highest standard of ethics in all its activities.

Imperial's board of directors has approved the information contained in the financial statements. The board fulfills its responsibility regarding the financial statements mainly through its audit committee, which is composed of the unrelated directors and the controller and senior vice-president, finance and administration. The audit committee reviews the company's annual and quarterly financial statements, accounting practices, business and financial controls, and internal audit program and its findings. It also recommends to the directors the external auditors to be appointed by the shareholders at each annual meeting, reviews their audit work plan and approves their fees.

PricewaterhouseCoopers LLP, an independent firm of chartered accountants, was appointed by a vote of shareholders at the company's last annual meeting to examine the consolidated financial statements and provide an independent professional opinion.

R.B. Peterson

R.B. Peterson

Patrick T. Mulva

P.T. Mulva

February 20, 2001

AUDITORS' REPORT_

To the shareholders of Imperial Oil Limited

We have audited the consolidated statements of earnings and of cash flows of Imperial Oil Limited for each of the three years in the period ended December 31, 2000, and the consolidated balance sheets as at December 31, 2000, and 1999. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the results of operations and cash flows of the company for each of the three years in the period ended December 31, 2000, and its financial position as at December 31, 2000, and 1999, in accordance with generally accepted accounting principles in Canada.

PricewaterhouseCoopers LLP

Chartered Accountants
Royal Trust Tower
Toronto-Dominion Centre
Toronto, Ontario

February 20, 2001

CONSOLIDATED STATEMENT OF EARNINGS_

millions of dollars For the years ended December 31	**2000**	1999	1998	1997	1996
Revenues					
Operating revenues	**17 829**	12 763	10 949	13 166	12 950
Investment and other income (note 3)	**224**	89	143	396	93
Total revenues	**18 053**	12 852	11 092	13 562	13 043
Expenses					
Exploration	**35**	28	37	40	45
Purchases of crude oil and products	**10 774**	7 090	5 669	7 263	7 277
Operating	**2 846**	2 776	2 722	2 853	2 791
Federal excise tax	**1 194**	1 188	1 190	1 157	1 143
Depreciation and depletion	**724**	734	704	747	754
Financing costs (note 14)	**159**	197	181	162	235
Total expenses	**15 732**	12 013	10 503	12 222	12 245
Earnings before income taxes	**2 321**	839	589	1 340	798
Income taxes on earnings (note 7)	**901**	329	232	525	349
Income tax refunds (note 7)	**–**	–	(133)	–	(322)
Total income tax expense	**901**	329	99	525	27
Net earnings	**1 420**	510	490	815	771
Per-share information (dollars)					
Net earnings (a)	**3.40**	1.18	1.12	1.76	1.46
Dividends	**0.78**	0.75	0.74	0.73	0.68

(a) Per-share information is calculated by dividing net earnings by the average number of shares outstanding, weighted monthly (page 46).

The information on pages 32 through 43 is part of these consolidated financial statements. Certain figures for prior years have been reclassified in the financial statements to conform with the current year's presentation. The effects on the consolidated statement of earnings and balance sheet are described in note 2.

CONSOLIDATED STATEMENT OF CASH FLOWS_

millions of dollars inflow (outflow) For the years ended December 31	**2000**	1999	1998	1997	1996
Operating activities					
Net earnings	**1 420**	510	490	815	771
Depreciation and depletion	**724**	734	704	747	754
(Gain)/loss on asset sales, after tax (note 3)	**(96)**	(17)	(47)	(179)	19
Future income taxes and other	**(204)**	(218)	(18)	(64)	(193)
Cash flow from earnings (a)	**1 844**	1 009	1 129	1 319	1 351
Accounts receivable	**(358)**	(124)	76	40	(124)
Inventories and prepaids	**(6)**	(16)	8	(77)	(16)
Income taxes payable	**503**	225	(178)	(372)	354
Accounts payable and other	**106**	376	(256)	83	146
Change in operating assets and liabilities	**245**	461	(350)	(326)	360
Cash from operating activities	**2 089**	1 470	779	993	1 711
Investing activities					
Additions to property, plant and equipment	**(644)**	(625)	(575)	(599)	(519)
Proceeds from asset sales (note 3)	**274**	88	213	968	177
Proceeds from marketable securities	**116**	59	79	42	575
Additions to marketable securities	**(58)**	(88)	(87)	(43)	(218)
Proceeds from promissory notes of Exxon Mobil Corporation subsidiary	**–**	–	–	–	2 795
Additions to promissory notes of Exxon Mobil Corporation subsidiary	**–**	–	–	–	(1 604)
Cash from (used in) investing activities	**(312)**	(566)	(370)	368	1 206
Cash flow before financing activities	**1 777**	904	409	1 361	2 917
Financing activities					
Short-term debt – net	**75**	–	–	–	–
Repayment of long-term debt	**(68)**	(379)	–	(91)	(476)
Common shares purchased (note 11)	**(1 208)**	–	(434)	(694)	(1 772)
Dividends paid	**(331)**	(319)	(326)	(343)	(361)
Cash used in financing activities	**(1 532)**	(698)	(760)	(1 128)	(2 609)
Increase (decrease) in cash	**245**	206	(351)	233	308
Cash at beginning of year	**775**	569	920	687	379
Cash at end of year (note 16) (b)	**1 020**	775	569	920	687

(a) Includes dividends received from equity investments of $14 million (1999 – $9 million; 1998 – $11 million).
(b) Cash is composed of cash in bank and cash equivalents at cost.

The information on pages 32 through 43 is part of these consolidated financial statements. Certain figures for prior years have been reclassified in the financial statements to conform with the current year's presentation. The effects on the consolidated statement of earnings and balance sheet are described in note 2.

CONSOLIDATED BALANCE SHEET_

millions of dollars At December 31	2000	1999	1998	1997	1996
Assets					
Current assets					
Cash (note 16)	**1 020**	775	569	920	687
Marketable securities (note 12)	**–**	59	30	22	21
Accounts receivable	**1 496**	1 138	1 014	1 090	1 130
Inventories of crude oil and products (note 13)	**421**	451	438	466	398
Materials, supplies and prepaid expenses	**162**	125	122	102	93
Future income tax assets (note 7)	**377**	285	128	220	268
Total current assets	**3 476**	2 833	2 301	2 820	2 597
Investments and other long-term assets	**127**	172	167	203	225
Property, plant and equipment (note 1)	**7 369**	7 525	7 667	7 907	8 662
Goodwill and other intangible assets	**250**	274	298	319	349
Total assets	**11 222**	10 804	10 433	11 249	11 833
Liabilities					
Current liabilities					
Short-term debt	**75**	–	–	–	–
Accounts payable and accrued liabilities (notes 9 and 16)	**1 868**	1 733	1 418	1 736	1 698
Income taxes payable	**1 182**	666	441	594	781
Current portion of long-term debt	**292**	–	215	–	24
Total current liabilities	**3 417**	2 399	2 074	2 330	2 503
Long-term debt (note 4)	**928**	1 239	1 312	1 506	1 542
Other long-term obligations (note 5)	**1 044**	1 091	1 042	984	959
Future income tax liabilities (note 7)	**1 512**	1 641	1 757	1 914	2 098
Commitments and contingent liabilities (note 10)					
Total liabilities	**6 901**	6 370	6 185	6 734	7 102
Shareholders' equity					
Common shares at stated value (note 11)	**2 039**	2 209	2 209	2 293	2 441
Net earnings retained and used in the business					
At beginning of year	**2 225**	2 039	2 222	2 290	3 184
Net earnings for the year	**1 420**	510	490	815	771
Share purchases (note 11)	**(1 038)**	–	(350)	(546)	(1 311)
Dividends	**(325)**	(324)	(323)	(337)	(354)
At end of year	**2 282**	2 225	2 039	2 222	2 290
Total shareholders' equity	**4 321**	4 434	4 248	4 515	4 731
Total liabilities and shareholders' equity	**11 222**	10 804	10 433	11 249	11 833

The information on pages 32 through 43 is part of these consolidated financial statements. Certain figures for prior years have been reclassified in the financial statements to conform with the current year's presentation. The effects on the consolidated statement of earnings and balance sheet are described in note 2.

Approved by the directors

R.B. Peterson

R. B. Peterson
Chairman, president and
chief executive officer

Patrick T. Mulva

P.T. Mulva
Controller and senior vice-president,
finance and administration

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES_

Principles of consolidation
The consolidated financial statements include the accounts of Imperial Oil Limited and its subsidiaries. Intercompany accounts and transactions are eliminated. Significant subsidiaries included in the consolidated financial statements include Imperial Oil Resources Limited, Imperial Oil Resources N.W.T. Limited, Imperial Oil Resources Ventures Limited and McColl-Frontenac Petroleum Inc.

A significant portion of the company's activities in natural resources is conducted jointly with other companies. The accounts reflect the company's proportionate interest in such activities, including its 25-percent interest in the Syncrude joint venture and its nine-percent interest in the Sable Offshore Energy Project.

Inventories
Inventories are recorded at the lower of cost or net realizable value. The cost of crude oil and products is determined primarily using the LIFO (last-in, first-out) method. Costs include purchase costs and other applicable operating expenses. Selling and general administrative expenses are excluded.

Investments
The principal investments in companies other than subsidiaries are accounted for using the equity method. These represent interests in non-publicly traded crude oil pipeline companies. They are recorded at the original cost of the investment plus Imperial's share of earnings since the investment was made, less dividends received. Imperial's share of the after-tax earnings of these companies is included in "investment and other income" in the consolidated statement of earnings. Other investments are recorded at cost. Dividends from other investments are recorded as income.

Property, plant and equipment
Property, plant and equipment are recorded at cost.

The company follows the successful-efforts method of accounting for its exploration and development activities. Under this method, costs of exploration acreage are capitalized and amortized over the period of exploration or until a discovery is made. Costs of exploration wells are capitalized until their success can be determined. If the well is successful, the costs remain capitalized; otherwise they are expensed. Capitalized exploration costs are reevaluated annually. All other exploration costs are expensed as incurred. Development costs, including the cost of natural gas and natural gas liquids used as injectants in enhanced (tertiary) oil-recovery projects, are capitalized.

Maintenance and repair costs are expensed as incurred. Improvements that increase or prolong the service life or capacity of an asset are capitalized.

Investment tax credits and other similar grants are treated as a reduction of the capitalized cost of the asset to which they apply.

Depreciation and depletion (the allocation of the cost of assets to expense over the period of their useful lives) are calculated using the unit-of-production method for producing properties. Depreciation of other plant and equipment is calculated using the straight-line method, based on the estimated service life of the asset. In general, refineries are depreciated over 25 years; other major assets, including chemical plants and service stations, are depreciated over 20 years.

Gains or losses on assets sold are included in "investment and other income" in the consolidated statement of earnings.

Goodwill and other intangible assets
Goodwill and other intangible assets, such as purchased customer lists, are charged to earnings on a straight-line basis over the period of expected continuing value, to a maximum of 20 years. The amortization is included in "depreciation and depletion" in the consolidated statement of earnings. The evaluation for impairment of goodwill is based on a comparison of the carrying values of goodwill and associated operating assets with the estimated undiscounted net cash flows from those operating assets.

Site-restoration costs
Provision for site-restoration costs (net of any expected recoveries) is made if they can be reasonably determined. This provision is based on engineering estimates of costs, taking into account the anticipated method and extent of remediation consistent with legal requirements, industry practices, current technology and the possible use of the site. For natural resource assets, accruals are made over the useful life of the asset using the unit-of-production method. For other assets, a provision is made at the time management approves the sale or closure of a facility.

Foreign-currency translation
Monetary assets and liabilities receivable or payable in foreign currencies have been translated at the rates of exchange prevailing on December 31. Unrealized exchange gains and losses arising from the translation of long-term debt are deferred and amortized over the remaining term of the debt.

Financial instruments
Financial instruments are initially recorded at historical cost. If subsequent circumstances indicate that a decline in the fair value of a financial asset is other than temporary, the financial asset is written down to its fair value. Unless otherwise indicated, the fair values of financial instruments approximate their recorded amounts.

The fair values of cash, marketable securities, accounts receivable and current liabilities approximate recorded amounts because of the short period to receipt or payment of cash. The fair value of the company's long-term debt is estimated based on quoted market prices for the same or similar issues or on the current rates offered to the company for debt of the same duration to maturity. The fair values of other financial instruments held by the company are estimated primarily by discounting future cash flows, using current rates for similar financial instruments under similar credit risk and maturity conditions.

The company's use of and method of accounting for derivative financial instruments are described in note 6 to the consolidated financial statements.

Revenues
Revenues associated with sales of crude oil, natural gas, petroleum and chemical products and other items are recorded when title passes to the customer. Revenues include amounts billed to customers for shipping and handling.

Shipping and handling costs incurred up to the point of final storage prior to delivery to a customer are included in "purchases of crude oil and products" in the consolidated statement of earnings. Delivery costs from final storage to customers are recorded as a marketing expense in operating expenses.

Consumer taxes
Taxes levied on the consumer and collected by the company are excluded from the consolidated statement of earnings. These are primarily provincial taxes on motor fuels and the federal Goods and Services Tax.

Interest costs
Interest costs are expensed as incurred and included in "financing costs" in the consolidated statement of earnings.

Accounting principles
The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada. *Form 10-K*, filed with the United States Securities and Exchange Commission, includes a description of the differences between generally accepted accounting principles (GAAP) in Canada and in the United States as they apply to the company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS_

1. Business segments

millions of dollars	Natural resources (a) 2000	1999	1998	Petroleum products 2000	1999	1998
Revenues						
External sales (c)	**3 124**	2 198	1 197	**13 760**	9 849	8 957
Intersegment sales	**2 638**	1 688	1 146	**1 332**	780	767
Investment and other income (note 3)	**138**	18	49	**30**	35	24
Total revenues	**5 900**	3 904	2 392	**15 122**	10 664	9 748
Expenses						
Exploration	**35**	28	37	**–**	–	–
Purchases of crude oil and products	**2 586**	1 660	921	**11 513**	7 487	6 207
Operating (d)	**921**	826	794	**1 710**	1 733	1 717
Federal excise tax	**–**	–	–	**1 194**	1 188	1 190
Depreciation and depletion (e)	**467**	483	464	**235**	224	212
Financing costs	**1**	1	1	**3**	1	1
Total expenses	**4 010**	2 998	2 217	**14 655**	10 633	9 327
Earnings before income taxes	**1 890**	906	175	**467**	31	421
Income taxes (note 7)						
Current	**815**	427	166	**281**	191	116
Future	**(90)**	(81)	(107)	**(127)**	(175)	61
Income taxes on earnings	**725**	346	59	**154**	16	177
Income tax refunds	**–**	–	(133)	**–**	–	–
Total income tax expense	**725**	346	(74)	**154**	16	177
Net earnings	**1 165**	560	249	**313**	15	244
Cash flow from earnings	**1 422**	951	583	**417**	51	518
Capital and exploration expenditures	**434**	430	398	**232**	203	197
Property, plant and equipment						
Cost	**10 067**	10 007	9 617	**5 287**	5 144	5 129
Accumulated depreciation and depletion	**5 412**	5 210	4 744	**2 748**	2 599	2 528
Net property, plant and equipment	**4 655**	4 797	4 873	**2 539**	2 545	2 601
Total assets	**5 288**	5 375	5 206	**4 812**	4 549	4 428
Total capital employed	**2 168**	2 510	2 618	**2 261**	2 201	2 440

(a) A significant portion of activities in the natural resources segment is conducted jointly with other companies. The segment includes the company's proportionate share of joint-venture activities, as follows:

millions of dollars	2000	1999	1998
Total revenues	**2 851**	1 876	1 420
Total expenses	**1 691**	1 406	1 265
Net earnings, after income taxes	**716**	293	155
Total current assets	**378**	251	201
Long-term assets	**2 705**	2 912	2 881
Total current liabilities	**1 023**	481	314
Other long-term obligations	**247**	159	146
Cash flow from earnings	**833**	581	354
Cash flow from operating activities	**912**	601	235
Cash (used in) investing activities	**(224)**	(322)	(287)

(b) Information is presented as though each segment were a separate business activity. Intersegment sales are made essentially at prevailing market prices. Consolidated amounts exclude intersegment transactions, as follows:

millions of dollars	2000	1999	1998
Purchases of crude oil and products	**4 196**	2 619	2 046
Operating expenses	**2**	4	8
Total intersegment sales	**4 198**	2 623	2 054
Intersegment receivables and payables	**279**	303	124

Chemicals			Corporate and other			Consolidated (b)		
2000	1999	1998	**2000**	1999	1998	**2000**	1999	1998
945	716	795	**–**	–	–	**17 829**	12 763	10 949
228	155	141	**–**	–	–	**–**	–	–
–	1	36	**56**	35	34	**224**	89	143
1 173	872	972	**56**	35	34	**18 053**	12 852	11 092
–	–	–	**–**	–	–	**35**	28	37
871	562	587	**–**	–	–	**10 774**	7 090	5 669
184	210	219	**33**	11	–	**2 846**	2 776	2 722
–	–	–	**–**	–	–	**1 194**	1 188	1 190
22	27	28	**–**	–	–	**724**	734	704
–	–	–	**155**	195	179	**159**	197	181
1 077	799	834	**188**	206	179	**15 732**	12 013	10 503
96	73	138	**(132)**	(171)	(145)	**2 321**	839	589
44	47	53	**(18)**	(63)	(39)	**1 122**	602	296
(7)	(17)	(2)	**3**	–	(16)	**(221)**	(273)	(64)
37	30	51	**(15)**	(63)	(55)	**901**	329	232
–	–	–	**–**	–	–	**–**	–	(133)
37	30	51	**(15)**	(63)	(55)	**901**	329	99
59	43	87	**(117)**	(108)	(90)	**1 420**	510	490
74	50	85	**(69)**	(43)	(57)	**1 844**	1 009	1 129
13	20	17	**–**	–	–	**679**	653	612
525	517	514	**–**	–	–	**15 879**	15 668	15 260
350	334	321	**–**	–	–	**8 510**	8 143	7 593
175	183	193	**–**	–	–	**7 369**	7 525	7 667
379	347	319	**1 022**	836	604	**11 222**	10 804	10 433
140	81	95	**1 048**	881	650	**5 617**	5 673	5 803

(c) Includes export sales to the United States, as follows:

millions of dollars	**2000**	1999	1998
Natural resources	**1 477**	1 041	690
Petroleum products	**516**	393	322
Chemicals	**522**	421	435
Total export sales	**2 515**	1 855	1 447

(d) Consolidated operating expenses include delivery costs from final storage to customers of $238 million (1999 – $230 million; 1998 – $228 million).

(e) Includes $31 million of goodwill and other intangible assets charged to earnings in 2000 (1999 – $30 million; 1998 – $30 million). The accumulated amortization of goodwill and other intangible assets at December 31, 2000, is $344 million (1999 – $314 million; 1998 – $293 million).

The company operates its business in Canada in the following segments:
Natural resources includes the exploration for and production of crude oil and natural gas.
Petroleum products comprises the refining of crude oil into petroleum products and the distribution and marketing of these products.
Chemicals includes the manufacturing and marketing of various hydrocarbon-based chemicals and chemical products.
Corporate and other includes assets and liabilities that do not specifically relate to business segments – primarily cash, marketable securities and long-term debt. Net earnings in this category primarily include debt-related charges and interest income.

Segment accounting policies are the same as those described in the summary of significant accounting policies. Natural resources, petroleum products and chemicals operating expenses include amounts allocated from the corporate and other segment. The allocation is based on a combination of fee for service, proportional segment operating expenses and a three-year average of capital expenditures. Transfers of assets between segments are recorded at book amounts. Items included in capital employed that are not identifiable by segment are allocated according to their nature.

2. Reporting changes

Effective January 1, 2000, the company implemented reporting changes to reflect the new accounting standards of the Canadian Institute of Chartered Accountants dealing with accounting for income taxes and accounting for employee future benefits. In addition the company has made several other changes. The reporting of cash has been changed so that negative book balances for cash, where outstanding cheques exceed cash in the bank, have been reclassified to current liabilities. Certain sales and purchases that were previously offset in the consolidated statement of earnings are now reported on a gross basis. Finally, segment definitions have been changed as a result of reclassifying real estate and pipeline activities, certain pension-related costs and tax refunds from the corporate segment to the natural resources, petroleum products and chemicals segments, as appropriate. The redefined corporate segment consists primarily of debt-related charges and interest income. All of the reporting changes have been applied retroactively, and financial statements of prior periods have been restated.

INCOME TAX STANDARD

The new method of accounting for income taxes focuses on the balance sheet and requires the recognition of a future tax asset or liability based on differences between the book and tax values of assets and liabilities. These differences are remeasured at each period end using the tax rates and tax laws expected to apply when those differences are settled in the future. Earnings will be affected in the period in which an adjustment to the future tax liability is made.

Previously the deferral method was used, which was based on differences in the timing of recognition of income and expenses in financial statements and tax returns using the tax rates and tax laws in effect at the time the differences arose. The cumulative deferral amount on the balance sheet was not remeasured at each reporting date. The impact of adopting the new income tax accounting standard on the consolidated balance sheet and statement of earnings was:

Changes in consolidated balance sheet

millions of dollars – increase/(decrease)	**2000**	1999
Future income tax assets	**342**	252
Property, plant and equipment	**555**	620
Goodwill and other intangible assets	**47**	52
Total assets	**944**	924
Future income tax liabilities	**838**	808
Retained earnings	**106**	116
Total liabilities and shareholders' equity	**944**	924

Changes in consolidated statement of earnings

millions of dollars – increase/(decrease)	**2000**	1999	1998
Total expenses	**70**	67	57
Income taxes	**(60)**	(69)	(53)
Net earnings	**(10)**	2	(4)
Net earnings per share (dollars)	**(0.02)**	–	(0.01)

EMPLOYEE FUTURE BENEFITS STANDARD

The new accounting standard on employee future benefits requires that pension and other post-retirement benefit obligations be determined using a market-based interest rate rather than management's best estimate of the long-term rate previously used by the company. The change to a market-based interest rate has resulted in a higher liability and expense for employee future benefits. These amounts will vary as the market-based interest rates change in the future. The impact of adopting the new employee future benefits accounting standard on the consolidated balance sheet and statement of earnings was:

Changes in consolidated balance sheet

millions of dollars – increase/(decrease)	**2000**	1999
Other long-term obligations	**250**	197
Future income tax liabilities	**(98)**	(77)
Retained earnings	**(152)**	(120)
Total liabilities and shareholders' equity	**–**	–

Changes in consolidated statement of earnings

millions of dollars – increase/(decrease)	**2000**	1999	1998
Total expenses	**53**	126	101
Income taxes	**(21)**	(52)	(41)
Net earnings	**(32)**	(74)	(60)
Net earnings per share (dollars)	**(0.08)**	(0.17)	(0.14)

CASH RECLASSIFICATION

Cash consists of cash in the bank and cash equivalents at cost. Negative book balances for cash, where outstanding cheques exceed cash in the bank, have been reclassified to current liabilities as noted below. The reclassification did not affect earnings.

Changes in consolidated balance sheet

millions of dollars – increase/(decrease)	**2000**	1999
Cash	**192**	160
Total assets	**192**	160
Current payables and accrued liabilities	**192**	160
Total liabilities and shareholders' equity	**192**	160

GROSS SALES REPORTING

Revenues associated with sales of crude oil, natural gas, petroleum and chemical products and other items are recorded when title passes from the company to its customer.

Some of the company's crude oil production is sold and other types of crude oil are purchased to optimize refining operations. Product purchase and sale agreements with other companies help meet supply requirements while reducing transportation and other costs. Such sales and purchases, previously offset in the consolidated statement of earnings, are now reported on a gross basis. While consolidated earnings are not affected, the change in previously reported revenues and purchases of crude oil and products is noted below:

Changes in consolidated statement of earnings

millions of dollars – increase/(decrease)	**2000**	1999	1998
Operating revenues	**3 251**	2 504	1 947
Purchases of crude oil and products	**3 251**	2 504	1 947
Net earnings	**–**	–	–

CONSOLIDATED SUMMARY

The combined impact of the above reporting changes on the consolidated balance sheet and statement of earnings was:

Changes in consolidated balance sheet

millions of dollars – increase/(decrease)	**2000**	1999
Cash	**192**	160
Future income tax assets	**342**	252
Property, plant and equipment	**555**	620
Goodwill and other intangible assets	**47**	52
Total assets	**1 136**	1 084
Current payables and accrued liabilities	**192**	160
Other long-term obligations	**250**	197
Future income tax liabilities	**740**	731
Retained earnings		
At beginning of period	**(4)**	68
Net earnings	**(42)**	(72)
At end of period	**(46)**	(4)
Total liabilities and shareholders' equity	**1 136**	1 084

Changes in consolidated statement of earnings

millions of dollars – increase/(decrease)	**2000**	1999	1998
Total revenues	**3 251**	2 504	1 947
Total expenses	**3 374**	2 697	2 105
Earnings before income taxes	**(123)**	(193)	(158)
Income taxes	**(81)**	(121)	(94)
Net earnings	**(42)**	(72)	(64)
Net earnings per share (dollars)	**(0.10)**	(0.17)	(0.15)

CORPORATE SEGMENT REDEFINITION

In addition to the above reporting changes, the company's corporate segment definition has been changed as a result of reclassifying real estate and pipeline company activities, certain pension-related costs and income tax refunds from the corporate segment to the natural resources, petroleum products and chemicals segment, as appropriate. The redefined corporate segment consists primarily of debt-related charges and interest income. While consolidated results are not affected, the individual segments are affected as follows:

Changes in total assets

millions of dollars – increase/(decrease)	**2000**	1999
Natural resources	**4**	43
Petroleum products	**264**	287
Chemicals	**–**	–
Corporate	**(268)**	(330)
Total assets	**–**	–

Changes in net earnings

millions of dollars – increase/(decrease)	**2000**	1999	1998
Natural resources	**15**	56	159
Petroleum products	**28**	10	10
Chemicals	**2**	3	2
Corporate	**(45)**	(69)	(171)
Net earnings	**–**	–	–

3. Investment and other income

Investment and other income includes gains and losses on asset sales as follows:

millions of dollars	**2000**	1999	1998
Proceeds from sale of assets (a)	**274**	88	213
Book value of assets sold (b)	**135**	66	144
Gain/(loss) on asset sales, before tax (c)	**139**	22	69
Gain/(loss) on asset sales, after tax (c)	**96**	17	47

(a) Proceeds in 1999 included a $4-million long-term receivable.

(b) Assets sold did not include cash.

(c) Gains on asset sales in 2000 include an $81-million ($60 million after tax) gain from the sale of the company's 50-percent interest in Federated Pipe Lines Ltd. and the wholly-owned Cynthia pipeline. The company also realized a gain of $44 million ($25 million after tax) on the sale of its interest in the Mitsue and Pembina producing properties in Alberta. In 1998, gains on asset sales included a $31-million gain ($22 million after tax) on the sale of the chemicals Paramins business to Exxon Mobil Corporation (see note 16).

4. Long-term debt

issued	maturity date	interest rate	**2000**	1999
			millions of dollars	
Sinking-fund debentures (a)				
1989	October 15, 2019 (2000 – $90 million (U.S.); 1999 – $135 million (U.S.))	$8^{3}/_{4}$	**135**	195
Other debentures and notes (a)				
1989	September 1, 2004 (2000 – $600 million (U.S.); 1999 – $600 million (U.S.)) (b)	Variable	**900**	866
1991	August 20, 2001 (1999 – $200 million (U.S.))	8.3	**–**	288
Long-term debt (at period-end exchange rates)			**1 035**	1 349
Foreign-exchange loss on U.S. dollar debt (c)			**107**	110
Total long-term debt (d)			**928**	1 239

(a) No principal payments are due on sinking-fund debentures within the next five years; $200 million (U.S.) of principal payments on other debentures and notes are due in 2001 and have been reclassified in the balance sheet to current liabilities; a further $600 million (U.S.) are due in 2004.

(b) This debt bears interest based primarily on U.S. commercial paper interest rates and may be repaid in part or in full at any time before maturity without premium. The average effective rate for 2000 was 6.6 percent (1999 – 5.3 percent).

(c) The foreign-exchange loss on U.S.-dollar debt is being amortized to earnings over the remaining life of the debt.

(d) At December 31, 2000, the company had $932 million of uncommitted, unused lines of credit available for short-term financing. The estimated fair value of the long-term debt at December 31, 2000, was $1,040 million (1999 – $1,364 million).

5. Other long-term obligations

millions of dollars	2000	1999
Employee retirement benefits (note 8) (a)	**551**	582
Site restoration (b)	**413**	397
Other obligations	**80**	112
Total other long-term obligations	**1 044**	1 091

(a) Total recorded employee retirement benefits obligations also include $33 million in current liabilities (1999 – $35 million).
(b) Total site restoration also includes $57 million in current liabilities (1999 – $57 million).

6. Derivative financial instruments

Derivatives are only used to reduce specific risk exposures of the company and are not held for trading purposes. Derivatives with leveraged features are not used.

The impact of price and foreign-exchange fluctuations on purchases and sales may be mitigated by selling and buying energy derivatives (primarily futures contracts and natural gas price swaps) and foreign-exchange forward contracts. These transactions are conducted on recognized commodities exchanges or with banks of the highest credit standing, and are normally settled in less than one year. Gains or losses on these contracts are recognized in earnings as a component of the related physical transaction.

No significant energy derivative or foreign-exchange forward contracts were transacted in the past three years.

A currency swap and an interest rate swap that were matched to a portion of a 9⁷/₈-percent (Canadian) debenture were settled when the debenture matured in 1999. Settlement of the swaps resulted in a loss of $37 million (Canadian) of which $9 million was included in 1999 earnings (1998 – $12 million).

7. Income taxes

millions of dollars	2000	1999	1998
Current income tax expense before income tax refunds	**1 122**	602	296
Future income tax expense (a)	**(221)**	(273)	(64)
Income taxes on earnings (b)	**901**	329	232
Income tax refunds (c)	**–**	–	(133)
Total income tax expense	**901**	329	99
Statutory corporate tax rate (percent)	**44.6**	44.7	44.7
Increase/(decrease) resulting from:			
Non-deductible royalty payments to governments	**8.1**	14.6	8.0
Resource allowance in lieu of royalty deduction	**(11.4)**	(19.2)	(10.2)
Manufacturing and processing credit	**(1.6)**	(2.7)	(2.5)
Non-deductible depreciation and amortization	**0.5**	1.8	3.1
Other	**(1.4)**	–	(3.7)
Effective income tax rate	**38.8**	39.2	39.4

Components of future income tax liabilities and assets as at December 31 are:

millions of dollars	2000	1999
Depreciation and amortization	**1 081**	1 172
Successful drilling and land acquisitions	**874**	960
Pension and benefits	**(210)**	(242)
Site restoration	**(187)**	(174)
Net tax loss carryforwards (d)	**(15)**	(36)
Other	**(31)**	(39)
Total future income tax liabilities	**1 512**	1 641
LIFO inventory valuation	**(330)**	(252)
Other	**(47)**	(33)
Total future income tax assets	**(377)**	(285)
Net future income tax liabilities	**1 135**	1 356

(a) The future income tax expense for the year is the difference in net future income tax liabilities at the beginning and end of the year.
(b) Cash income tax payments, after deducting investment credits, were $606 million in 2000 (1999 – $377 million; 1998 – $584 million).
(c) During 1998, final settlement was reached with Revenue Canada and the Province of Alberta for $295 million of tax refunds including interest that related to a number of outstanding tax issues in the natural resources business for the period 1974 to 1990. A portion of the refunds was recognized in earnings in prior years and $133 million was included in 1998 earnings.
(d) The tax losses can be carried forward indefinitely.

The operations of the company are complex, and related tax interpretations, regulations and legislation are continually changing. As a result, there are usually some tax matters in question. The company believes the provision made for income taxes is adequate.

8. Employee retirement benefits

Retirement benefits, which cover almost all retired employees and their surviving spouses, include pension-income and certain health-care and life-insurance benefits. They are met through funded registered retirement plans and through unfunded supplementary benefits that are paid directly to recipients. Pension-income benefits consist mainly of company-paid defined benefit plans that are based on years of service and final average earnings. The company shares in the cost of health-care and life insurance benefits.

The expense and obligations for both funded and unfunded benefits are determined in accordance with generally accepted Canadian accounting principles and actuarial procedures. The process for determining retirement-income expense and related obligations includes making certain long-term assumptions regarding the discount rate, rate of return on plan assets and rate of pay increases. The discount rate is based on the year-end rate of interest on high-quality bonds. The discount rate was seven percent at December 31, 2000 (1999 – 7.25 percent; 1998 – 5.75 percent). The return on plan assets was assumed to be 10 percent for each of the past three years. The assumed rate of pay increases at December 31, 2000, was 3.5 percent (1999 – 3.5 percent; 1998 – 5.0 percent).

Components of net benefit expense

	Pension benefits			Other post-retirement benefits		
millions of dollars	**2000**	1999	1998	**2000**	1999	1998
Current service cost	**45**	72	62	**4**	6	8
Interest cost	**201**	205	204	**22**	23	26
Expected return on plan assets	**(259)**	(246)	(232)	**–**	–	–
Amortization of prior service cost	**25**	18	17	**–**	–	–
Recognized actuarial (gain) loss	**(20)**	33	20	**1**	7	10
Net expenses (a) (e)	**(8)**	82	71	**27**	36	44

	Pension benefits		Other post-retirement benefits	
millions of dollars	**2000**	1999	**2000**	1999
Change in benefit obligations:				
Benefit obligation at January 1	**2 811**	3 500	**295**	394
Current service cost	**45**	72	**4**	6
Interest cost	**201**	205	**22**	23
Amendments	**34**	6	**–**	–
Actuarial loss/(gain)	**233**	(760)	**(2)**	(111)
Other	**(40)**	–	**–**	–
Benefits paid	**(219)**	(212)	**(17)**	(17)
Benefit obligations at December 31 (b) (e)	**3 065**	2 811	**302**	295
Change in plan assets:				
Fair value of plan assets at January 1	**2 741**	2 574		
Actual return on plan assets	**157**	350		
Company contributions (c)	**5**	4		
Employee contributions	**–**	2		
Payments directly to participants	**30**	23		
Other	**(40)**	–		
Benefits paid	**(219)**	(212)		
Fair value of plan assets at December 31 (c)	**2 674**	2 741		
Funded status	**(391)**	(70)	**(302)**	(295)
Unrecognized net actuarial (gain)/loss (d)	**6**	(344)	**(2)**	1
Unrecognized prior service cost (d)	**105**	87	**–**	–
Unrecognized net transitional obligations (d)	**–**	4	**–**	–
Net liabilities recognized (note 5)	**(280)**	(323)	**(304)**	(294)

(a) Additional benefit expenses include contributions, primarily to the employee savings plan, of $22 million in 2000 (1999 – $21 million; 1998 – $22 million).
(b) Included in benefit obligations are unfunded defined benefit pension plans of $275 million (1999 – $236 million).
(c) Company contributions to the retirement plans are based on independent actuarial valuations and are made in accordance with government regulations. Pension fund assets are held primarily in equity, fixed-income and money-market securities.
(d) Unrecorded assets/(liabilities) are amortized over the average remaining service life of employees, which for 2001 and subsequent years is 13.5 years (2000 and 1999 – 16.1 years).
(e) A one-percent change in the assumptions at which retirement liabilities could be effectively settled is as follows:

millions of dollars	Rate of return on plan assets and discount rate		Rate of pay increases	
	One-percent increase	One-percent decrease	One-percent increase	One-percent decrease
Effect on net benefit expense	(50)	55	20	(20)
Effect on benefit obligation	(340)	415	100	(90)

For measurement purposes, a five-percent health-care cost trend rate was assumed for 2000 and thereafter. A one-percent change in the assumed health-care cost trend rate would have the following effects:

millions of dollars	One-percent increase	One-percent decrease
Effect on service and interest cost components	2	(2)
Effect on other post-retirement benefit obligation	22	(19)

9. Incentive compensation programs

Long-term incentive compensation in the form of incentive share units is granted to retain selected employees and reward them for high performance. Selected executives may also elect to receive deferred share units in lieu of cash performance bonus payments. Nonemployee directors may elect to receive deferred share units in lieu of directors' fees. All units require settlement by cash payments. For deferred share units a charge is made to expense in the year of grant equal to the cash performance bonus payment foregone. The company records expense for incentive share and deferred share units based on changes in the price of common shares in the year.

Incentive share units have value if the market price of the company's common shares when the unit is exercised exceeds the market value when the unit was issued. The issue price of incentive share units is the closing price of the company's shares on The Toronto Stock Exchange on the grant date. Up to 50 percent of the units may be exercised after one year from issuance; an additional 25 percent may be exercised after two years; and the remaining 25 percent may be exercised after three years. Incentive share units are eligible for exercise up to 10 years from issuance. The units may expire earlier if employment is terminated other than by retirement, death or disability.

In 2000 a total of 2,731,200 incentive share units were granted to 756 employees (1999 – 1,773,200 units to 749 employees; 1998 – 1,819,600 units to 759 employees). The total number of incentive share units outstanding at December 31, 2000, was 7,071,265 units (1999 – 5,143,425 units). The amount charged to expense in 2000 for incentive share units was $67 million (1999 – $43 million expense; 1998 – $42 million credit). The obligation for incentive share units outstanding at December 31, 2000, was $110 million (1999 – $77 million).

In 1998 the deferred share unit plan was made available to selected executives whereby they could elect to receive all or part of their performance bonus compensation in units. The number of units granted is determined by dividing the amount of the bonus elected to be received as deferred share units by the average of the closing prices of the company's shares on The Toronto Stock Exchange for the five consecutive trading days immediately prior to the date that the bonus would have been paid. Additional units are granted based on the cash dividend payable on the company shares divided by the average closing price immediately prior to the payment date for that dividend and multiplying the resulting number by the number of deferred share units held by the recipient.

Starting in 1999, a similar deferred share unit plan was made available to nonemployee directors in lieu of receiving all or part of their directors' fees. The number of units granted to a nonemployee director is determined at the end of each calendar quarter by dividing the amount of directors' fees for that calendar quarter that the nonemployee director elected to receive as deferred share units by the average closing price of the company's shares immediately prior to the last day of the calendar quarter.

Deferred share units cannot be exercised until after termination of employment with the company or resignation as a director and must be exercised no later than December 31 of the year following termination or resignation. On exercise date, the cash value to be received for the units will be determined based on the average closing price of the company's shares immediately prior to the date of exercise.

In 2000 a total of 29,861 deferred share units were granted to four executives and five nonemployee directors (1999 – 20,181 units to four executives and five nonemployee directors). The total number of deferred share units outstanding at December 31, 2000, is 72,675 units (1999 – 42,814 units). The amount charged to expense in 2000 for deferred share units was $2 million (1999 – $1 million; 1998 – $1 million). The obligation for deferred share units outstanding at December 31, 2000, was $3 million (1999 – $1 million).

10. Commitments and contingent liabilities

At December 31, 2000, the company had commitments for noncancelable operating leases and other long-term agreements that require the following minimum future payments:

millions of dollars	2001	2002	2003	2004	2005	After 2005
Operating leases (a)	66	50	40	31	24	100
Other long-term agreements (b)	365	241	199	165	133	346

(a) Total rental expense incurred for operating leases in 2000 was $115 million (1999 – $113 million; 1998 – $115 million). Operating lease commitments related to joint venture activities are not material.

(b) Total payments under long-term agreements were $580 million in 2000 (1999 – $415 million; 1998 – $383 million). Payments under other long-term agreements related to joint-venture activities are approximately $115 million per year.

Other commitments arising in the normal course of business for operating and capital needs do not materially affect the company's consolidated financial position.

The company provides in its financial statements for site-restoration costs (see accounting policy on page 33). Provision is not made with respect to those manufacturing, distribution and marketing facilities for which estimates of these future costs cannot be reasonably determined. These are primarily currently operated sites. These costs (net of any expected recoveries) are not expected to have a material effect on the company's consolidated financial position.

Various lawsuits are pending against Imperial Oil Limited and its subsidiaries. The actual liability with respect to these lawsuits is not determinable, but management believes, based on the opinion of counsel, that any liability will not materially affect the company's consolidated financial position.

11. Common shares

number of shares	**2000**	1999	1998
Authorized	**450 000 000**	450 000 000	450 000 000
Issued at December 31	**398 263 375**	431 475 233	431 475 233

Net earnings per share are calculated on the monthly weighted average number of shares outstanding during the period.

In 1995 through 1999, the company purchased shares under five 12-month normal course share-purchase programs. Also in 1996, the company undertook an auction tender in which 72 million shares were purchased at a total cost of $1,440 million. On June 21, 2000, another 12-month normal course program was implemented with an allowable purchase of 20.9 million shares (five percent of the total at June 16, 2000), less any shares purchased by the employee savings plan and company pension fund. The results of these activities are shown below:

Year	Purchased shares	Millions of dollars
1995–1997	133 539 327	2 702
1998	16 509 736	434
1999	–	–
2000	**33 211 858**	**1 208**
Cumulative purchases to date	183 260 921	4 344

Exxon Mobil Corporation's participation in the above maintained its ownership interest in Imperial at 69.6 percent.

The excess of the purchase cost over the stated value of shares purchased has been recorded as a distribution of retained earnings.

12. Marketable securities

No marketable securities were held at December 31, 2000. Government of Canada treasury bills held at December 31, 1999, totaled $59 million. These securities were purchased with the intent that they be held to maturity. The average yield on these securities in 2000 was 5.2 percent (1999 – 5.0 percent; 1998 – 4.9 percent).

13. Inventories of crude oil and products

In 2000, net earnings included an after-tax gain of $25 million (1999 – $18 million gain; 1998 – $9 million loss) attributable to the effect of changes in LIFO inventories. The replacement cost of inventories was estimated to exceed their LIFO carrying values at December 31, 2000, by $1,022 million (1999 – $840 million).

14. Financing costs

millions of dollars	2000	1999	1998
Debt-related interest	**106**	128	129
Other interest	**4**	4	3
Total interest expense (a)	**110**	132	132
Foreign-exchange expense on long-term debt (b)	**49**	65	49
Total financing costs	**159**	197	181

(a) Cash interest payments in 2000 were $111 million (1999 – $135 million; 1998 – $132 million).

(b) In 2000, the company redeemed $45 million (U.S.) of its 8 ¾-percent long-term debt for $68 million (Canadian), resulting in a $12-million foreign-exchange expense ($9 million after tax). In 1999, the company redeemed $87 million (U.S.) of its 8 ¾-percent long-term debt for $136 million (Canadian), resulting in a $28-million foreign-exchange expense and call premium ($18 million after tax).

15. Research and development costs

Research and development costs in 2000 were $55 million (1999 – $69 million; 1998 – $72 million) before investment tax credits earned on these expenditures of $6 million (1999 – $7 million; 1998 – $6 million). The net costs are included in expenses due to the uncertainty of future benefits.

16. Transactions with Exxon Mobil Corporation and affiliated companies (ExxonMobil)

Revenues and expenses of the company also include the results of transactions with ExxonMobil in the normal course of operations. These were conducted on terms as favourable as they would have been with unrelated parties, and primarily consisted of the purchase and sale of crude oil, petroleum and chemical products, as well as transportation, technical and engineering services. Effective November 15, 2000, the company entered into an agreement with ExxonMobil Canada to share common business and operational support services that allow the companies to consolidate duplicate work and systems. Transactions with ExxonMobil also include amounts paid and received in connection with the company's participation in a number of natural resources joint venture operations in Canada. In 1998, the company sold the chemicals Paramins business to ExxonMobil for $35 million (see note 3). A valuation by an independent third party confirmed that the selling price for the Paramins business represented a fair market value. The amounts paid or received have been reflected in the statement of earnings as shown in the following table, and include transactions with Mobil Corporation and affiliated companies from November 30, 1999, the date when a wholly owned subsidiary of Exxon Corporation merged with Mobil Corporation so that Mobil became a wholly owned subsidiary of Exxon. At the same time, Exxon changed its name to Exxon Mobil Corporation.

Throughout 2000, the company purchased in the short-term money market Canadian-dollar commercial paper of an Exxon Mobil Corporation subsidiary. The notes were guaranteed by ExxonMobil. These promissory notes matured less than three months from purchase date and were replaced by similar short-term notes upon their maturity. The notes were replaced with Canadian-dollar commercial paper of non-related parties prior to December 31, 2000. Interest on the notes was at competitive Canadian interest rates. Interest earned on the notes in 2000 was $23 million (1999 – $1 million).

millions of dollars	2000	1999	1998
Operating revenues	**372**	351	297
Investment and other income	**23**	(1)	31
Purchases of crude oil and products	**1 483**	596	292
Operating expenses	**104**	85	72

Accounts payable due to Exxon Mobil Corporation at December 31, 2000, with respect to the above transactions were $89 million (1999 – $106 million; 1998 – $48 million).

17. Net payments to governments

millions of dollars	2000	1999	1998
Current income tax expense (note 7)	**1 122**	602	163
Federal excise tax	**1 194**	1 188	1 190
Property taxes included in expenses	**93**	96	96
Payroll and other taxes included in expenses	**41**	42	43
GST/QST/HST collected (a)	**1 818**	1 329	1 194
GST/QST/HST input tax credits (a)	**(1 376)**	(950)	(828)
Other consumer taxes collected for governments	**1 524**	1 548	1 551
Crown royalties	**623**	347	136
Total paid or payable to governments	**5 039**	4 202	3 545
Less investment tax credits and other receipts	**9**	25	11
Net payments to governments	**5 030**	4 177	3 534
Net payments to:			
Federal government	**2 455**	1 979	1 645
Provincial governments	**2 482**	2 102	1 793
Local governments	**93**	96	96
Net payments to governments	**5 030**	4 177	3 534

(a) The abbreviations refer to the federal Goods and Services Tax, the Quebec Sales Tax, and the federal/provincial Harmonized Sales Tax, respectively. The HST is applicable in the provinces of Nova Scotia, New Brunswick and Newfoundland.

NATURAL RESOURCES SEGMENT – supplemental information

Pages 44 and 45 provide information about the natural resources segment (see note 1, page 34). The information excludes items not related to oil and natural gas extraction such as administrative and general expenses, pipeline operations, gas plant processing fees and gains or losses on asset sales.

Results of operations

	Oil and gas			Syncrude			Total		
millions of dollars	**2000**	1999	1998	**2000**	1999	1998	**2000**	1999	1998
Sales to customers	**1 716**	745	486	**–**	–	–	**1 716**	745	486
Intersegment sales	**1 316**	797	479	**679**	556	391	**1 995**	1 353	870
Total sales (a)	**3 032**	1 542	965	**679**	556	391	**3 711**	2 098	1 356
Production expenses	**1 149**	486	483	**331**	261	274	**1 480**	747	757
Exploration expenses	**35**	28	37	**–**	–	–	**35**	28	37
Depreciation and depletion	**419**	434	410	**44**	48	51	**463**	482	461
Income taxes	**550**	221	(119)	**124**	83	21	**674**	304	(98)
Results of operations	**879**	373	154	**180**	164	45	**1 059**	537	199

Capital and exploration expenditures

	Oil and gas			Syncrude			Total		
millions of dollars	**2000**	1999	1998	**2000**	1999	1998	**2000**	1999	1998
Property costs (b)									
Proved	**2**	–	3	**–**	–	–	**2**	–	3
Unproved	**15**	–	1	**–**	–	5	**15**	–	6
Exploration costs	**41**	29	45	**–**	–	–	**41**	29	45
Development costs	**250**	216	234	**125**	184	104	**375**	400	338
Total capital and exploration expenditures	**308**	245	283	**125**	184	109	**433**	429	392

Property, plant and equipment

	Oil and gas		Syncrude		Total	
millions of dollars	**2000**	1999	**2000**	1999	**2000**	1999
Property costs (b)						
Proved	**3 326**	3 423	**3**	3	**3 329**	3 426
Unproved	**159**	112	**5**	5	**164**	117
Producing assets	**4 557**	4 576	**1 364**	1 125	**5 921**	5 701
Support facilities	**115**	132	**186**	154	**301**	286
Incomplete construction	**122**	104	**42**	188	**164**	292
Total cost	**8 279**	8 347	**1 600**	1 475	**9 879**	9 822
Accumulated depreciation and depletion	**4 740**	4 587	**569**	526	**5 309**	5 113
Net property, plant and equipment	**3 539**	3 760	**1 031**	949	**4 570**	4 709

(a) Sales of crude oil to consolidated affiliates are at market value, using posted field prices. Sales of natural gas liquids to consolidated affiliates are at prices estimated to be obtainable in a competitive, arm's-length transaction. Total sales exclude the sale of natural gas and natural gas liquids purchased for resale.

(b) "Property costs" are payments for rights to explore for petroleum and natural gas and for purchased reserves (acquired tangible and intangible assets such as gas plants, production facilities and producing-well costs are included under "Producing assets"). "Proved" represents areas where successful drilling has delineated a field capable of production. "Unproved" represents all other areas.

Net proved developed and undeveloped reserves (a)

	Crude oil and NGLs millions of barrels				Natural gas billions of cubic feet
	Conventional	Cold Lake	Syncrude	Total	
Beginning of year 1998	259	713	616	1 588	1 612
Revisions of previous estimates and improved recovery	(8)	–	–	(8)	78
Sale of reserves in place	–	–	–	–	(21)
Discoveries and extensions	10	–	–	10	221
Production	(26)	(46)	(19)	(91)	(138)
End of year 1998	235	667	597	1 499	1 752
Revisions of previous estimates and improved recovery	17	–	–	17	29
Sale of reserves in place	–	–	–	–	(1)
Discoveries and extensions	–	250	–	250	63
Production	(27)	(39)	(20)	(86)	(151)
End of year 1999	225	878	577	1 680	1 692
Revisions of previous estimates and improved recovery	**1**	**10**	**48**	**59**	**26**
Sale of reserves in place	**(5)**	**–**	**–**	**(5)**	**(5)**
Discoveries and extensions	**1**	**–**	**–**	**1**	**27**
Production	**(26)**	**(37)**	**(15)**	**(78)**	**(168)**
End of year 2000	**196**	**851**	**610**	**1 657**	**1 572**

(a) Net reserves are the company's share of reserves after deducting the shares of mineral owners or governments or both. All reported reserves are located in Canada. Reserves of natural gas are calculated at a pressure of 14.73 pounds per square inch at 60° F.

Conventional and Cold Lake crude oil and natural gas reserve estimates are based on geological and engineering data, which have demonstrated with reasonable certainty that these reserves are recoverable in future years from known reservoirs under economic and operating conditions existing at December 31 of the relevant year. Reserves of crude oil at Cold Lake are those estimated to be recoverable from the existing experimental pilot plants and commercial phases 1 through 13. The calculation of reserves of crude oil at Syncrude is based on the company's participating interest in the production permit granted in October 1979 and as subsequently amended by the Province of Alberta.

Net proved reserves are determined by deducting the estimated future share of mineral owners or governments or both. For conventional crude oil (excluding enhanced oil-recovery projects) and natural gas, net proved reserves are based on estimated future royalty rates representative of those existing at December 31 of the relevant year. Actual future royalty rates may vary with production and price. For enhanced oil-recovery projects, Syncrude and Cold Lake, net proved reserves are based on the company's best estimate of average royalty rates over the life of each project. Actual future royalty rates may vary with production, price and costs.

Reserves data do not include crude oil and natural gas discovered in the Beaufort Sea-Mackenzie Delta and the Arctic Islands, or the resources contained in oil sands other than those attributable to Syncrude, the Cold Lake pilot area and phases 1 through 13 of Cold Lake production operations.

In 2000, Imperial's net proved reserves of crude oil and NGLs decreased by 23 million barrels, while the proved reserves of natural gas decreased by 120 billion cubic feet. Production in 2000 totaled 78 million barrels of crude oil and NGLs and 168 billion cubic feet of natural gas. Revisions of previous estimates and improved recovery increased reserves of crude oil and NGLs by 59 million barrels and increased reserves of natural gas by 26 billion cubic feet. Sales of reserves accounted for a decrease of five million barrels of crude oil and NGLs and five billion cubic feet of natural gas. Discoveries and extensions in 2000 totaled one million barrels of crude oil and NGLs and 27 billion cubic feet of natural gas.

SHARE OWNERSHIP, TRADING AND PERFORMANCE_

	2000	1999	1998	1997	1996
Share ownership					
Average number outstanding, weighted monthly (thousands) (a)	**417 753**	431 475	438 636	462 138	527 569
Number of shares outstanding at December 31 (thousands) (a)	**398 263**	431 475	431 475	447 985	476 890
Shares held in Canada at December 31 (percent)	**16.6**	17.6	17.7	18.1	17.7
Number of registered shareholders at December 31 (b)	**17 104**	17 941	18 396	18 459	19 095
Number of shareholders registered in Canada	**14 873**	15 650	15 966	16 057	16 627
Shares traded (thousands) (a)	**117 980**	74 151	118 716	159 508	159 786
Share prices (dollars) (a)					
High	**42.25**	36.00	30.50	30.77	21.63
Low	**26.50**	21.70	20.80	19.87	15.97
Close at December 31	**39.45**	31.00	24.55	30.67	21.50
Net earnings per share (dollars) (a)	**3.40**	1.18	1.12	1.76	1.46
Price ratios at December 31					
Share price to net earnings (c)	**11.6**	26.2	22.0	17.4	14.7
Share price to cash flow from net earnings (d)	**8.9**	13.3	9.5	10.7	8.4
Share price to cash from operating activities (e)	**7.9**	9.1	13.8	14.3	6.6
Dividends declared (f)					
Total (millions of dollars)	**325**	324	323	337	354
Per share (dollars) (a)	**0.78**	0.75	0.74	0.73	0.68

(a) Restated to reflect a three-for-one share split in 1998.
(b) Exxon Mobil Corporation owns 69.6 percent of Imperial's shares.
(c) Closing share price at December 31, divided by net earnings per share.
(d) Closing share price at December 31, divided by cash flow from earnings per share (page 1).
(e) Closing share price at December 31, divided by cash from operating activities per share.
(f) The fourth-quarter dividend is paid on January 1 of the succeeding year.

Information for security holders outside Canada

Cash dividends paid to shareholders resident in countries with which Canada has an income tax convention are usually subject to Canadian nonresident withholding tax of 15 percent.

The withholding tax is reduced to five percent on dividends paid to a corporation resident in the United States that owns at least 10 percent of the voting shares of Imperial.

There is no Canadian tax on gains from selling shares or debt instruments owned by nonresidents not carrying on business in Canada.

Valuation day price

For capital gains purposes, Imperial's common shares were quoted at $10.50 a share on December 31, 1971, and $15.29 on February 22, 1994. Both amounts are restated for the 1998 share split.

QUARTERLY FINANCIAL AND STOCK TRADING DATA (a)_

	2000 three months ended				1999 three months ended			
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
Financial data (millions of dollars)								
Total revenues	**4 066**	**4 230**	**4 592**	**5 165**	2 437	3 014	3 497	3 904
Total expenses	**3 609**	**3 742**	**3 968**	**4 413**	2 379	2 890	3 168	3 576
Earnings before income taxes	**457**	**488**	**624**	**752**	58	124	329	328
Income taxes	**188**	**203**	**250**	**260**	21	47	138	123
Net earnings	**269**	**285**	**374**	**492**	37	77	191	205
Segmented earnings (millions of dollars)								
Natural resources	**222**	**224**	**336**	**383**	35	107	199	219
Petroleum products	**51**	**63**	**49**	**150**	16	(13)	(6)	18
Chemicals	**18**	**17**	**12**	**12**	8	8	21	6
Corporate and other	**(22)**	**(19)**	**(23)**	**(53)**	(22)	(25)	(23)	(38)
Net earnings	**269**	**285**	**374**	**492**	37	77	191	205
Per-share information (dollars)								
Net earnings	**0.63**	**0.67**	**0.90**	**1.20**	0.09	0.17	0.45	0.47
Cash flow from earnings	**0.82**	**0.96**	**1.05**	**1.58**	0.38	0.41	0.62	0.93
Dividends (declared quarterly)	**0.195**	**0.195**	**0.195**	**0.195**	0.185	0.185	0.185	0.195
Share prices (dollars) (b)								
Toronto Stock Exchange								
High	**34.10**	**39.55**	**41.50**	**42.25**	29.75	31.25	32.60	36.00
Low	**26.50**	**30.40**	**34.00**	**36.50**	21.70	26.00	27.75	29.85
Close	**30.00**	**36.15**	**39.00**	**39.45**	28.70	28.00	30.75	31.00
American Stock Exchange ($ U.S.)								
High	**23.50**	**26.38**	**27.81**	**27.39**	19.63	21.44	22.00	24.44
Low	**17.94**	**20.81**	**23.00**	**24.00**	14.50	17.81	18.69	20.25
Close	**20.94**	**24.38**	**26.07**	**26.30**	19.13	18.94	20.81	21.63
Shares traded (thousands) (c)	**30 457**	**32 675**	**28 971**	**25 877**	20 725	18 316	16 432	18 678

(a) Quarterly data has not been audited or reviewed by the company's independent auditors.
(b) Imperial's shares are listed on The Toronto Stock Exchange, and are admitted to unlisted trading on the American Stock Exchange in New York. The symbol on these exchanges for Imperial's common shares is IMO. Share prices were obtained from stock exchange records.
(c) The number of shares traded is based on transactions on all the above stock exchanges.

GLOSSARY OF FINANCIAL TERMS_

Capital employed is short-term and long-term debt and shareholders' equity. Average capital employed is the average of the beginning-of-year and end-of-year amounts.

Cash represents cash as recorded in the books of account and cash equivalents at cost. Cash equivalents are all highly liquid securities with a maturity of three months or less when purchased.

Debt represents amounts borrowed from external sources. These amounts exclude unamortized foreign-exchange gains or losses on debentures and notes.

Marketable securities are securities of the governments of Canada and the provinces, banks and other corporations, with a maturity of longer than three months when purchased.

Net realizable value is the estimated selling price of an asset, less estimated costs of completion and disposal.

Future income taxes are based on differences between the book and tax values of assets and liabilities. These differences in value are remeasured at each period end using the tax rates and tax laws expected to apply when those differences are settled in the future. The largest source is the difference between book and tax depreciation and amortization, where deductions are made earlier for tax purposes than for accounting purposes.

Per-share information is calculated by dividing the respective nominal amounts by the average number of shares outstanding, weighted monthly.

CORPORATE GOVERNANCE_

Imperial's board of directors and its management are committed to a high standard of corporate governance. We believe that effective corporate governance calls for the establishment of processes and structures that contribute to the sound direction and management of the company's business, with a view to enhancing shareholder value. Under the rules of The Toronto Stock Exchange, Imperial is required to disclose information relating to its system of corporate governance. This disclosure is contained in the management proxy circular issued in connection with the 2001 annual meeting.

DIRECTORS, SENIOR MANAGEMENT AND OFFICERS_

Directors

R.J. (Dick) Currie
President
George Weston Limited
Toronto, Ontario

P. (Pierre) Des Marais II
President
Gestion PDM Inc.
Montreal, Quebec

B.J. (Brian) Fischer
Senior vice-president,
products and chemicals division
Imperial Oil Limited
Toronto, Ontario

P.T. (Pat) Mulva
Controller and senior vice-president,
finance and administration
Imperial Oil Limited
Toronto, Ontario

R.B. (Bob) Peterson
Chairman, president and
chief executive officer
Imperial Oil Limited
Toronto, Ontario

J.F. (Jim) Shepard
Retired chairman and
chief executive officer
Finning International Inc.
Vancouver, British Columbia

S.D. (Sheelagh) Whittaker
Chair, president and
chief executive officer
EDS Canada Inc.
Toronto, Ontario

K.C. (K.C.) Williams
Senior vice-president,
resources division
Imperial Oil Limited
Calgary, Alberta

L.R. (Red) Wilson
Chairman of the Board
CAE Inc.
Toronto, Ontario

Senior management and officers

R.B. (Bob) Peterson
Chairman, president and
chief executive officer

B.J. (Brian) Fischer
Senior vice-president,
products and chemicals division

P.T. (Pat) Mulva
Controller and senior vice-president,
finance and administration

K.C. (K.C.) Williams
Senior vice-president,
resources division

J.F. (John) Kyle
Vice-president and treasurer

R.C. (Ron) Walker
Vice-president and general counsel

J. (John) Zych
Corporate secretary

DIVIDEND AND SHARE PURCHASE INFORMATION_

	2nd quarter 2001	3rd quarter 2001	4th quarter 2001	1st quarter 2002
Declaration date	May 24, 2001	August 15, 2001	November 21, 2001	February 19, 2002
Dividend record date	June 5, 2001	September 4, 2001	December 3, 2001	March 4, 2002
Dividend payment date	July 1, 2001	October 1, 2001	January 1, 2002	April 1, 2002
Share purchase cutoff date (cheques for share purchase must be dated and received no later than)	June 15, 2001	September 17, 2001	December 13, 2001	March 15, 2002
Investment date (dividend reinvestment and share purchase funds are invested by the company on)	July 3, 2001	October 2, 2001	January 2, 2002	April 2, 2002

The declaration of dividends and the dates shown are subject to change by the board of directors.
The company reserves the right to amend, suspend or terminate the dividend reinvestment and share purchase plan at any time.
Share purchase cheques should be made payable to Computershare Trust Company of Canada.
Dividend cheques are normally mailed three to five days prior to payment dates.
Quarterly statements for dividend reinvestment and share purchase plan participants are normally mailed two weeks after the investment dates.

INFORMATION FOR INVESTORS_

Head office
Imperial Oil Limited
111 St. Clair Avenue West
Toronto, Ontario, Canada M5W 1K3

Annual meeting
The annual meeting of shareholders will be held on Tuesday, April 24, 2001, at 11 a.m. local time at the Metro Toronto Convention Centre, 255 Front Street West, Toronto, Ontario, Canada.

Shareholder account matters
To change your address, transfer shares, eliminate multiple mailings, elect to receive dividends in U.S. funds or have dividends deposited directly into accounts at financial institutions in Canada that provide electronic fund-transfer services, or to enroll in the dividend reinvestment and share purchase plan, please contact Computershare Trust Company of Canada.

Computershare Trust Company of Canada
P.O. Box 1542, Station B
Montreal, Quebec H3B 3L2
Telephone: 1-800-332-0095
(from Canada or U.S.A.)

United States resident shareholders may transfer their shares through Computershare Trust Company of New York.

Computershare Trust Company of New York
88 Pine Street
New York, New York 10005
Telephone: 212-701-7673

Dividend reinvestment and share purchase plan
This plan provides shareholders with two ways to add to their shareholdings at a reduced cost. The plan enables shareholders to reinvest their cash dividends in additional shares at an average market price. Shareholders can also invest between $50 and $5,000 each calendar quarter in additional shares at an average market price.

Funds directed to the dividend reinvestment and share purchase plan are used to buy existing shares on a stock exchange rather than newly issued shares.

For more information
Imperial's Web site contains a variety of corporate and investor information, including:
- current stock prices
- annual and interim reports
- *Form 10-K*
- *Information for Investors* (a factbook that describes the company and its operations in detail)
- executive speeches
- earnings and other news releases
- historical dividend information

Web site – www.imperialoil.ca

Investor information
Information is also available by writing to the investor relations manager at Imperial's head office or by phoning:
Telephone: 416-968-8145
Fax: 416-968-5345

Other contact numbers
Customer and other inquiries
Telephone: 1-800-567-3776
Fax: 1-800-367-0585

Corporate secretary
Telephone: 416-968-4713
Fax: 416-968-4095

Version française du rapport
Pour obtenir la version française du rapport de la Compagnie Pétrolière Impériale Ltée, veuillez écrire à la division des Relations avec les investisseurs, Compagnie Pétrolière Impériale Ltée, 111 St. Clair Avenue West, Toronto, Canada M5W 1K3.

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